US bank

cuts prime

rate after

Fed eases

By Janet Bush in New York

AN EASING in the credit

stance of the US Federal Reserve became evident yes-

terday, prompting one US bank to cut interest rates and

raising expectations that oth-

ers would follow.

The Federal Reserve is believed to have cut its target

for Fed Funds, the rate at which commercial banks lend to each other overnight, to 8½ per cent from 8¾ per cent.

South-west Bank of St Louis, which led the last round of

policy

D 8523A

Thursday November 9 1989

World News

Britain drops plans to sell off nuclear power plants

The British Government reversed its decision to privatise nuclear power plants with the rest of the electricity indus-try in a move likely to cause the Government great political embarrassment.

The decision results from a near unanimous view from the electricity industry and its advisers that National Power, the larger of two pro-posed generating companies, could be not be sold if it had to bear the financial risk of a nuclear programme. ,

Mandela meeting Nelson Mandela, the ANC leader, and Jeff Masemola, the recently freed Pan Africanist Congress (PAC) leader, are to begin six days of talks today at Mandela's prison house.

Blacks triumph Black politicians triumphed in US gubernatorial and may-

oral elections signalling the emergence of e new generation of black leaders with e more moderate style. Page 20 Aid for Lagos Western donor countries undertook to provide Nigeria with more than \$600m in con-

cessional aid in 1990. Page 6

Civil war 'inevitable' Cambodian Premier Hun Sen said civil war was "inevitable" in Cambodia because foreign countries were funnelling arms to guerrillas who oppose his Soviet-backed government. UK Government attitude to Khmer Rouge, Page 6

Burma unreformed The regime in Burma has failed to persuade Japan, the IMF and the World Bank that it is serious about implement-ing the programme of eco-

announced in 1988. Page 6 HK drops charges Hong Kong authorities decided not to pursue two of the com-mercial corruption charges

ald Li, former chairman of the

stock exchange. Page 6 Sri Lankans deploy About 900 Sri Lankan troops moved into Ampara, Eastern province, following the massa cre of 28 members of the self-styled Tamil National Army by Tamil Tiger guerril-las. Page 6

Amnesty cali Amnesty International welcomed human rights improv ments in Nicaragua but called for an end to killings of peas-ants suspected of collaborating with Contra rebels.

Desert battle Morocco said 45 of its soldiers were killed and 56 wounded during fierce fighting with Polisario guerrillas in the disputed Western Sahara.

Albanians jailed More than 100 ethnic Albanians in Yugoslavia's Kosovo province have been jailed after riots last week triggered by the trial of a former ethnic

Secord plea bargain Retired Air Force Major General Richard Secord, a central figure in the Iran-Contra scandal, pleaded guilty to a single perjury charge in a deal which involves his further co-opera-tion in the criminal investiga-

Setback for Mexico in talks over debt package

Mexico has almost certainly failed in its attempts to per-suade banks holding between 10 and 20 per cent of its com-mercial debt to make new loans as part of a debt package agreed with leading creditors in September. Page 20 FT-SE 100 share index closed above the important 2,200 level

for the first time since "Grey FT~SE 100 Index

2200

Monday" on October 16, driven by signs of lower US interest rates and corporate activity. Markets, Section II

PARIBAS, French investment banking group, extended its hid for Compagnie de Naviga-tion Mixte, food-to-financial services conglomerate, to cover 100 per cent of its target's shares. Page 21

MOUNTLEIGH: American entrepreneurs, Nelson Peltz and Peter May, gained effective control of UK property group with a portfolio worth £660m (\$1.04bn), Page 21 **INTERNATIONAL Business**

Machines is to license its mem-ory chip technology to Micron Technology of Boise, Idaho, one of the few remaining independent US manufacturers of dynamic random access memory chips. Page 24

EUROPEAN telecommunica-tions: W German Bundespost dropped its opposition to Britain's new personal commu-nications networks, increasing the chance that the mass-mar-ket mobile telephone system will be adopted across Europe.

PRENCH price fixing: the French Competition Council imposed fines of FFr166m 5.2m) on 80 road buildins and construction companies for conspiring to fix prices for public contracts. Page 3

SUMITOMO Electric Industries, Japan's largest maker of electrical wires and cables announced a 15.9 per cent rise in pre-tax profit to Y12.56bm (\$85.5m) for the first half ending September, Page 26 **BOND Corporation, troubled**

beer and media company con-trolled by Alan Bond, Austra-lian businessman, again extended the deadline for docu-mentation on an integral part of its plan to sell its brewing interests for A\$2.5bn. (\$1.9bn). Page 26

PETROLEOS de Venezuela. Venezuelan state oil company, agreed in principle to purchase all the assets of Citgo Petro-leum, eighth largest oil refiner in the US, in which it already holds a 50 per cent interest. Page 24

GROUPEMENT Industriel des Armements Terrestres: the French Government is to eform the status of its heavily loss-making state-owned arms and tanks producer (Giat).

KENTUCKY Fried Chicken Japan, concerned by the coun-try's worsening labour short-age, announced that 5,000 employees will be given a free trip to Hawati to develop company loyalty. Page 20 STATOIL, Norway's state oil company, increased operating-profit by 54 per cent to NKr7.6bn (\$1.06bn) in the first nine months. Page 22

tion into the affair,

w York close \$1.5885 (1.5863) London: \$1.5865 (1.581) FFr9.920 (9.885)

MARKETS

DM2.9275 (2.915) SFr2.5650 (2.5575) Y227.00 (226.75) Σ index 88.9 (88.7) COLD New York: Comex Dec \$390.8 (388.4) \$384.25 (same) M SEA OIL (Argus)

Chief price change yesterday: Page 21

3-mo Treasury Bills yield: 7.92% (8.01) Brent 15-day Dec \$18.95 (+0.025) Long Bond: 102 % (102 %) yield: 7.88% (7.87)

Y143.175 (142.885) FT-A All-Sha 1,109.88 (+1.1) DM1.8455 (1,8445) FFr6.2525 (6.253) **New York close** SFr1.6170 (1.6175) Y143.15 (143.40) DJ Ind. Av. 2,823.38 (+26.23) \$ index 69.7 (69.8) Tokyo close: Y142.97 S&P Comp 338.15 (+3.34) US LUNCHTIME Tokyo: Nikkei RATES Fed Funds 87 %(812)

35,595.59 (+325.13) LONDON MONEY 3-month interba closing 15点 (15基) Dec 92五 (91益)

STOCK DUDICES

2,203.8 (+25.6)

1,774.2 (+20.4)

FT-SE 100:

FT Ordinary:

MARKET REPORTS: CURRENCIES, Page 44; BONDS, Pages, 27, 28; COMMODITIES, Page 36; EQUITIES, Pages 37 (London), 45 (World).

Business Summary

E Germany moves towards holding

ber of the new Politburo announcing that the country was moving towards free elec-

was moving towards free elections in which the Communist Party could lose power.

Mr Günter Schabowski, the East Berlin Party chief, said that the Communist Party's Central Committee would shortly propose an election law allowing all political groupings to participate.

"If we have an electoral law that allows all political forces to announce their programmes and defend them, then the Communist Party will accept the challenge," he said.

He was speaking on a day which had started with the resignation of the Polithuro – an unprecedented act in the his-

was swiftly followed by the election of a new, slimmer one, again beaded by Mr Egon

STEFFAN, a slim dark-haired

kilometres of Czech territory

the yeer, 211,000, and the exo-dus is not stopping. Steffan, 23, was wholly unim-

A WIDE-RANGING strategy to protect the world environment and to tackle the problem of

and to tacke the problem of climate change was ontlined yesterday by Mrs Margaret Thatcher, the Prime Minister, during a brief visit to New York to address the United Nations General Assembly. She announced a greater

British commitment to scien-tific research by establishing a

Centre for the Prediction of Cli-mate Change within the Meteo-rological Office and promised a

further £100m (£158m) of bilateral assistance for the preservation of tropical forests over the next three years. She also called for a new global conven-

tion to conserve plant and ani-mal life, especially in tropical forests, where many species

are in danger.

Her 35-minute speech was intended to show her interest

in and commitment to interna-

tional action on environmental problems. In both content and

delivery, the address was restrained and thoughtful, in contrast to her familiar

Time to take the war

CONTENTS

to the enemy

The most significant new

arrival in the 11-member Polithuro was Mr Hans Modrow, the leading reformer at the top of the Party, who was proposed as Prime Minister.

The new Economics Minister will be Mr Siesfried Lorenz. will be Mr Siegfried Lorenz.
Although a holdover from the era of Mr Erich Honecker, the former leader, Mr Lorenz is expected to advocate wide-

expected to advocate wide-ranging economic reforms. Mr Modrow, who took part in a demonstration last Monday in Dresden, wes the only new reformer to join the Polithuro. Several leading conserva-tives remain. Mr Hans-Josehim Bohma the party chief of Halla Bohme, the party chief of Halle District, was re-elected, although a mass demonstration in Halle on Monday called for his resignation. Similarly, the Defence Minis-

ter, Mr Heinz Kessler, also kept Mr Krenz is still regarded by many East Germans as a har-dliner, despite his bid to gain

slippery slope 4 Kohl sets terms for economic aid Britain urges dis-

mantling of Berlin Wall Public distrust of Communist party lin-PAGE 4 gers on

many via Czechoslovakia has done little to stem the latest exodus of East Germans to the West, which now numbers 60,000 since last Saturday.

Late 1sst night, Mr Schabowski said that the opposition group New Forum was likely to be officielly recognised, overturning e ban imposed on it shortly after it was formed

two months ago.

Mr Krenz said in a speech to

trustful population. His pledge to liberalise travel the Central Committee after his election that the country to the West and permit unhin-dered emigration to West Gerfaced a "tense and extremely difficult situation." Mr Schabowski's comments will undoubtedly be welcomed by Chancellor Helmut Kohl of West Germany, who yesterday promised the East Germen leadership a new dimension of economic aid if the Commu-

> Speaking during a dehate in the Bundestag, the lower house of parliament, on "the fate of

the divided nation," Mr Kohi said that self-determination for cedence over the ultimate aim

of German reunification. However, in a sign of how the vision of reforging German the vision of retorging German unity has come to the top of the political agenda, Mr Kohl told the Bundestag he was "certein" thet, given the chance, East Germans would vote for "freedom and unity."

Mr Kohl also admitted that nists "give up their monopoly on power" and bold free elec-

the exodus was causing prob-lems for the Federal Republic,

Newly elected Polithuro member Günter Schebowski tries to calm demonstrators in East Berlin yesterday

which led the last round of prime rate cnts in July, announced in response it was lowering to 10 per cent from 10.5 per ceot the rate It charges to top corporate customers. This is the latest easing move by the Fed in response to a weakening in the US economy which has shown np particularly in the housing market and manufacturing industry. industry.

The first hint of easier policy came on Tuesday through Fed operations in the money market - which erc closely watched for signals of any shift in policy. It was confir-medyesterdsy when the Fed

refrained from operating in the money market, despite weakness in the Fed Funds The Fed bas been nnder

mounting pressnre from the Administration for some time to ease policy to ensure that a decelerating economy does not tip into recession.

The timing of the , after what many analysts saw as

snrprisingly strong employment and earnings figures last Friday, came as a surprise on domestic economic grounds. The Fed appears to bave decided to ease policy before the Treasnry's quarterly refunding, consistent with

past practice.

The sale of a total of \$56bn in hills and bonds was originally scheduled to have been completed today, but had to be postponed because Congress had not passed legislation to raise the debt ceiling, needed before any more funds could be raised. be raised.

The bond market now faces

paper in an intensive schedule of auctions over four days. In late New York trading yesterday the benchmark long bond was quoted is of e point lower for a yield of 7.87 per cent. The stock market was boosted, the Dow Jones Indus-trial Average closing 26.23 higher at 2,623.36.

having to absorb this new

democratic elections By Leslie Collit in East Berlin David Marsh in Bonn THE most turbulent day in Krenz, the Communist Party General Secretary, but purged of 14 of its hardliners. Krenz maps out East Germany's history ended last night with a leading memroute down reform's

unprecedented act in the his-tory of Eastern Europe's com-munist states. At the same time, the exodus of refugees refused to abate, reaching 60,000 since last Saturday. The Polithuro's resignation

Changes come too late to stem exodus

yesterday. "The factories, the technology are out of date. It will take 10 or 20 years to change all that."

Compared with other Comecon countries, East Germany is relatively well off. Karsten was therefore expressing resentment as well as dissatisfaction. circus worker, had just dragged his suitcase across the Czech border into West Ger-many, near the little Bavarian village of Schirnding. He had walked the last two

kilometres of Czech territory
past a line of run-down East
German cars containing hundreds of his fellow-refugees.

At Schirnding, yesterday
morning, they crossed at a rate
of 200 an hour. That was
revised to 300 an hour shortly
after the East German Politburo resigned. Since Saturday,
60,000 East Germans have fled
to the West. Since the start of
the year, 211,000, and the erro-He had driven the 300 km from Magdeburg to freedom, although his wife had decided against joining him for the journey. "She doesn't like borders and controls," he said.

For those who did not immediately drive further into West Germany were two Red Cross tents banding out macaroni soup, packages of snacks, soft drinks and fruit.

in the country he had left, including the resignations of the government and the Polithuro, Tve lost all belief in the driven across the border stood in the thick of suitcases, bags and prams before being taken (East German) republic," he "The whole economic struc-ture is falling apart," said Kar-to the nearest reception centre.

Thatcher urges global action

cism later expressed by dele-gates about her pledges. Dur-ing her 20-hour visit to New York there was no mention of her domestic political prob-

Mrs Thatcher's theme was

that "the prospect of irretriev-able damage to the atmo-sphere, to the oceans, to Earth

the threat of war and its results could be "even more far reaching" than the discovery of how to split the atom.

Her solutions were based "on sound science and sound economics." She defended civil nuclear power, as well as the role of multinational industry

which, through free markets, would do the research and

make environmentally safe

In President Mitter-

office French busi-

and's second term of

nesses have gone on

the offensive, shaking

off a shroud of insuler

ity and embarking on

a costly series of for-

eign acquisitions Page 18

Agriculture ____ Arts Reviews ___ World Guide

Commercial Law .

21-22

on environmental problems

By Peter Riddell, US Editor, at the United Nations

month-old baby boy, Matthias, "It will take years for things to really change in the East," said Mario, a train driver who hopes to find a job with West German railways. From their home near East Germany's border with Czechoslovakia, they had already been to the Czech side of the West German

crech side of the West German border to see the situation for themselves before going back to fetch their baby. "We left everything behind except the car," said Silvia, before setting off for Coburg where she has relatives. Their decision to leave had been spontaneous.

Steffan, the circus worker, had already decided to leave four years ago, but his applica-tion had been turned down for unknown reasons. He hopes to find work in a Western circus assembling and maintaining high-wire equipment for acro-bats,
"I don't think they have

made any real difference," he said of the drastic attempts by sten, 44. a transport engineer Mario, 27, and Silvia, 24, Mr Egon Krenz, the East Ger-who had driven across at 6 am arrived with their eight- man party leader, to stem the

after it submits its report for

next yesr's UN sponsored World Climate Conference. In an indirect reference to

this week's disagreement at

the Dotch conference about

levels of polluting gases such as carbon dioxide, Mrs

Thatcher argued the need "for sound scientific analysis" before targets could be agreed on the reduction of greenhouse

gases in ways which would allow economic growth to con-tinne. Rejecting the call for new institutions, she said that

a framework convention on climate change as a guide to good conduct, should be ready by the time of the United Nations

World Conference on Environ-ment and Development in 1992.

particular emphasis on Britain's intention to draw up an environmental agenda for the next decade.

Commercial Laws New French rules covering

Editorial comment: Future of Britain's local

Lex: Building societies; Sainsbury; Montleigh;

Technology: Europe has found it - the Eureka

Surveys: Canada; information technology in

Rew Materials

Stock Markets .

-London .

Unit Trusts

World Index

-Wall Street

Britain: Development in rural England

Mrs Thatcher also placed

... Separate sections

37

_ 35 38-41

speeches in Britain and was politely received by a packed gation of the intergovernmenassembly, with some sceptital panel on climste change

mrs Thatcher stressed the need for the best possible research and assessment. She not only announced new work on predicting climatic change,

Cinemas Trimmed down genius

taxes; Conservation begins here ...

tender offers .

Polygram

finance ...

Financial Futures ..

discontent which continued to swell in the country. Karsten felt the same. "Nothing is really moving forward,"
he commented. "The turning
point should have come ages
ago. Now, all the technology
has to come from abroad.

Where's the money coming Tuesday night's surprise resignation of the government had been "pre-programmed," he added. "Krenz has got no backbone, no authority. He has

backbone, no authority. He has swum in the same pool as Honecker, they've both come up the same way." Mr Krenz was a former deputy to Erich Honecker, who stepped down as party leader last month.

For Karsten, who drove off to relatives in Kassel, the decision to leave had been a painful one. He said he might go ful one. He said he might go back and fetch his wife. As he drove off westwards, he hooted a quick farewell. Like many others who have crossed from Czechoslovakia, around 60,000 since last Friday, his future is

The East Berlin regime's

actions have come too late for many ordinary citizens, who cannot resist the opportunity

cannot resist the opportunity to air their grievances by quitting the country, Mario said he and his wife might return if matters improved in the next six months or so. "But it will probably not happen so fast," he said doubtfully.

Mike, 24, e mining mechanic, grinned broadly as he waited with his mother and girlfriend to cross into West Germany. "Look at this," he said, pointing to a bright green Trabant car. "It's 11 years old I could never afford a new one." Mike said he earned 800 ostmarks (\$410) a month in the GDR, a new car would cost 20,000 new car would cost 20,000 marks (\$10,200). "I'm msd about cars. My dream is to own a good ooe. I want to work,

In Leipzig, he lived with his mother. "I would have to get married and have children to have a proper home, and then it would be dilapidated and let in the rain." Mike had also been refused permission to Continued on Page 20

Westpac treasury services



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become a strong backer of a pilot \$20m interest buy-down scheme to subsidise the return of commercial banks to export

finance, which alone could pro-

There have been discussions

with Mexican and US banks to implement a "bundling"

scheme so that money lent by

Mexican banks would be pack-

aged for sale on the American capital markets, backed by Eximbank guarantee.

Mr Macomber sees export

mr macomber sees export credit agencies as part of Treasury Secretary Nicholas Brady's Third World debt plan. He pointed out that in 1988, they had an exposure to the less developed countries of \$246bn - \$250n more than the exposure of the development banks and the International

nks and the International

Monetary Fund. Eximbank is also open for

business in Hungary, and Mr Macomher is getting the machinery ready for a return to Poland, once its official debt

Mr Lawson has been given tha congressional relations

brief, and he is determined to repair what has become a bit-ter adversarial relationship.

Congress likes Eximbank, but

courting key members of Congress. Senator William Heinz,

Mr Macomber and came away impressed. But, he says, the

bank's loan programme should

be three times its current level. Others are still sceptical that

anyone at Eximbank can win the firm backing of the Trea-sury or the Commerce Depart-

ment for the resources the

"We wouldn't have taken

g a critic of the bank, met

has been rescheduled.

duce \$200m in trade credits.

not push for the awarding of

contracts to Britain "but we do

ask them to ensure that the international contractors from

Britain ... are not discrimi-

nated against in the pursuit of

some mythical greater good.

We think that on such ques-tions our official representative

In another development yes-

By Anthony McDermott

THE BRITISH Government is was that the Government need clinging tenaciously to the view that the Export Credits Guarantee Department (ECGD)

- whether divided between support for foreign short, medium or long-term projects - should continue to help

exports. But there are evident doubts. Mr Douglas Hogg, the Minister of State for Trade and Industry, said yesterday, on being asked whether ECGD had a future: "I hope so." His press department later fortified strength in ECGD's existence in its present form.

Criticism came, within the context of a meeting of The Export Group for the Constructional Industries. There, Mr D.A. Holland, the president, said that "in 1987 there had been a substantial

increase in the total value of contracts". He made the point that "we still think that soft loans are a sensible and appropriate method of giving aid in a world of poor countries and high

terday, the UK Government published a report, entitled the Future of the Export Credits Guarantee Department". It was based on the Kemp report, whose main recommendations were: In the area of long-term and project business,

should be partisan"

if British exports are to remain competitive". Tha Insurance Services Group should become a "government-owned company administered through ECGD, with a view to the eventual introduction of private capi-

the private sector would cover such risks. There is "no alter-

tive to a government scheme

its future could have a long-standing impact on UK international trade".

• The main industrial countries begin another round of negotiations next Monday in an effort to agree new rules to curb the growing use of mixed credits, or the practice of sweetening export credits with aid to make them cheaper and more attractive to buyers in the developing world, Peter Montagnon writes.

The talks, at the Organisation for Economic Co-operation and Development in Paris, come at the behest of the US

They are dismayed by the failure of previous agreements in this area to halt a practice which they argue distorts trade and leads to expensive subsidy

The agenda for the discussions has grown, however, to encompass other key areas of export credit finance, including the subsidies that are routinely The conclusion: "ECGD paid on interest rates charged plays a key role in UK exports to developing countries.

Caribbean banana row deepens

By Canute James in Kingston

One point he emphasised

CARIBBEAN countries will not support the Dominican Republic's efforts to become a beneficiary of the Lomé Convention unless they get guarantees that the new member will not sell its bananas in the European

Community.

Mr James Mitchell, the
Prime Minister of St Vincent,
said he wanted "cast iron
assurances" from the Government of the Dominican Republic. "Unless we get these assur-ances, I will not support their application," Mr Mitchell told a conference in Barbados review-ing the impact of a single European market on the Caribbean.

"My colleagues support me on this," the Prime Minister said. St Vincent, and the other three islands of the Windwards group, which supply about 70 per cent of Britain's bananas, fear the loss of their protected market to cheaper Latin American fruit when trade is deregulated in Europe after 1992. Earnings from bananas of about \$150m per year underpin the islands' economies. But

Dominican officials have been quick to repeat earlier state-ments that they have no interest in the banana protocol of the Lomé Convention.

"The Dominican Republic used to export bananas, hut this stopped 30 years ago," said Mr Osmar Benitez, executive director of the Joint Agribusiness Coinvestment Council of the Dominican Republic. Now we are eating all the bananas we produce. We have no interest in the banana market in the European Community."

Stopping the rot at US Eximbank Saudi deals

Nancy Dunne on new life in an embattled trade promotion agency

NEW leadership team at the US Export-Import Bank is vowing to breathe life into the tradepromotion body, described by a senator recently as "a pathetic

Eximbank, an independent agency, provides governmentbacked direct loans, loan guarantees and insurance to US exporters. Since the early 1980s, its direct loan authority has been slashed by more than 85 per cent to \$695m (£435m) in fiscal year 1989. At the same time its competitors have been capturing key markets with an aggressive use of tied aid that Eximbank has rarely sought to

Mr John Macomber, chair-man, and Mr Eugene Lawson, vice-chairman, have at least two advantages not shared by their immediate predecessors: the ear of the US President, in this case driven more by pragmatism than ideology, and a Budget Director not apparently ont to strangle the export

on the minus side, they head a bank enfechied by an eight-year battle for survival during the years of former President Ronald Reagan and which remains embattled under a President whose "no new taxes" pledge has so paralysed Congress that an infusion of significant new funding is

Most US manufacturers talk of trade financing in the gloomiest tones. Eximbank's anthorisation from Congress for direct loans is expected to fall again in 1990 to about

In spite of all this, Mr Macomber and Mr Lawson radiate confidence. The two men have been driving to and from work together each day planning strategy, and they claim strong support from the Treasury, which, under Mr Reagan, viewed the bank (as



Lawson: 'I can get things done'

well as foreign export credit agencies) as something of a tool of the devil set on destroy-ing the free market. Mr Macomber even talks of reversing the downward trend in direct loan funding for the 1991

The two bring to the Eximbank complementary qualities and backgrounds. Mr Macomber, aged 61, a polished, amiable New Yorker with degrees from Yale and Harvard, and has strong ties to be the strong t Street and the banking commu-nity. His innovations, as chairman of Celanese Corporation from 1978 to 1987, raised the value of the multinational company's stock from \$24 to \$245 when it merged with

Mr Lawson, 49, a fast-talking high-energy Oklahoman, knew the President from "way back" cause his father was an independent oilman. A China expert, he has degrees from Princeton and Columbia and wrote a book on The Sino-Vietnamese Conflict. With 10 years of government experience, he says with assurance: "I can get

Thus far, Mr Macomber has apressed both business lobbyists and senators with what



Macomber: ear of President seems to them realistic views drawn from his extensive experience. Soon after his swearing in, Eximbank and the Treasury sent to Congress a much-de-layed plan for responding to the mixed credits crisis, prom-

ising a more aggressive stance. The product of contentious debate within President George Bush's Administration, tha mixed credits proposal resurrects a little-used \$100m "war chest" for mixed credits and gives business the long-awaited assurance that the Administration will use separate foreign sid finds, allocated to USAID, the aid agency, to provide sup-port for the kind of infrastructure and capital projects for which US exporters have been mable to compete.

Proving its intentions, the hank will work with USAID and American Telephone & Telegraph for a hig telecommunications contract in Indonesia. Tied aid of some sort is virtually a requirement in the bidding; Indonesia has asked for 3.5 per cent financing to be repaid over 25 years after a seven-year grace period. Mr Macomher has demon-

these jobs if the President was going to chop us back." Mr Lawson says. "We're here to make a difference." strated his intention to pursue

for BAe and **Rolls-Royce** other innovations. He has

By Victor Mailet

SAUDI Arabia has approved the first two British investment proposals for an offset programme linked to British defence sales, and a formal announcement in London and Riyadh is expected shortly.

It is understood that the Saudi authorities have approved one proposal for British Aerospace, Dowly and Saudi partners to establish a missile engineering facility for repair and maintenance, and another proposal for the involvement of Rolls-Royce in the planned Middle East Pro-pulsion Centre for overhauling jet engines.

Each of the two projects is estimated to be worth more estimated to be worth more than 250m, and approvals for other proposals in civilian industries are likely to be granted soon.

The offset programme is supposed to generate about £1bn of UK investment in Saudi Arabia, as part of the arrangements for the Al-Yamamah defence project.

BAe is the muin contractor for the deal, which includes the sale of Tornado aircraft and is thought to be worth at least £150m. they want to see us being aggressive," he says. Tha two men have been

of the commercial committee of the Gulf Co-operation Com-cil will hold a meeting in Oman on December 28 to dis-cuss implementation of the Unified Economic Accord.

The committee includes ads and secretary generals of chambers of commerce and trade in the GCC, which groups Saudi Arabia, Kuwait, the United Arah Emirates, Qatar, Behrain and Oman. Mr Mohammad al-Mullah

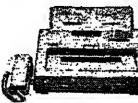
secretary general of the Gui Chambers of Commerce and Industry, said that the estab-lishment of a joint Gulf mar-

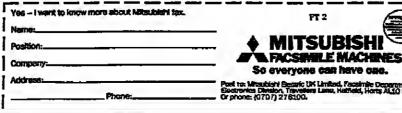
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Capital plan for US electronics

bank needs.

By Louise Kehoe In San Francisco

THE US Government should sponsor the formation of a multi-billion dollar investment corporation that would provide low-cost capital to US companies entering the consumer electronics market, a high-level presidential advisory committee is expected to recommend In a report that is expected

to be delivered to President George Bush today, the National Advisory Committee on Semiconductors proposes a series of actions aimed at boosting the competitiveness of the US semiconductor industry.

Members of the committee

include semiconductor, com-puter and electronics industry executives and senior govern-

Key recommendatione included in the committee's

Mrs. Santa Chars has got a sone

puter, which tells instead they how many days there are still left must Christmas.

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report focus on efforts to re-establish the moribund US consumer electronics industry, which it is hoped would become a big purchaser of US-

made semiconductor chips.
The committee proposes the formation of an investment company, to be known as the Consumer Electronics Capital Corporation (CECC), that would provide low-cost capital to companies manufacturing

consumer electronics products such as advanced television sets and video recorders.

The privately run, for profit investment group should receive loan guarantees from the federal as well as state governments. This would enable it to raise \$20m to \$100m in lowto raise \$2hn to \$10hn in low-cost capital for consumer electronics ventures, the commit-

The proposal is expected to

receive broad support among US electronics industry executives who have long argued that they are stymled in their efforts to compete with Japa-nese rivals by the high cost of capital in the US.

Congressional support for the proposal is already build-ing. Congressman Mel Levine, has held discussions with committee members about spons ing legislation to enact its nendations.

In an "interim report" issued tee called for government support for a pational programme develop High Definition Television. That recommend: tion was largely ignored by the Administration, and the com-mittee's final report avoids any specific mention of HDTV;

addressing instead the broads "consumer electronics" sector.



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EUROPEAN NEWS

increased returns on capital lead to accelerated technologi-

cal innovation.

If such theories were true

1992 might permanently add between 0.25 and 1 per cent to

between 0.25 and 1 per cent to Europe's annual growth rate.

* The Growth Effects of 1992 by Richard Baldwin; Economic Policy No. 9, November 1989. £10.50. Available from: The Journals Publicity Department, Cambridge University Press, The Edinburgh Bullding, Shaf-tesbury Road, Cambridge CB2 1BR. Tel: (0223) 325807.

1BR. Tel: (0223) 325807.

Growth impact of 1992 'greater than forecast'

By Guy de Jonquières, International Business Editor

Court blocks Hoechst

bio-engineering plant

THE Buropean Community's single market programme is likely to provide a much bigger stimulus to economic growth than previously expected, according to a study by the London-based Centre for Economic Policy Research.

The study, by Mr Richard Baldwin, a research fellow at the centre, says the gains could be more than four times greater than forecast in the Cecchini report on the economics of 1992

The Cecchini report, pubished by the European Com-mission last year, is the most comprehensive attempt so far to measure the likely economic impact of removing EC inter-

powerful chemicals industry to establish a presence in the new technology of ganetic engineering were dealt a blow yesterday following a ruling from a court in the state of

The court blocked plans by Hoechst, a hig West German chemicals company, to

establish a production plant using the techniques to make a novel form of insulin, a drug based on a natural hormone and which is used by diabetics.

Hoechst has already spent DM60m (£20.5m) on building a

large research unit at its Frankfurt headquarters which could be used for large-scale production of insulin using the

new techniques.

The company said yesterday that, following the court ruling, it would have to stop

work on scaling-np its technology to turn the unit

into a fully operating insulin

disappointing and was likely to hold back progress in genetic engineering in West Germany. The court's ruling — made in response to arguments by

environmental groups that genetic engineering involves unknown safety risks — is

likely to have ramifications for

other large West German

chemicals groups, including

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It said the decision was

THE OUTPUT INCREASE FROM 1992 (Estimated % increase in GDP) France W Germany Netherlands UK Belglum Low 3.3-8.5 3.4-8.8 High 4.5-11.7 5.7-14.9 3.4 - 8.8 3.5-9.0

While emphasising that his estimates are very tentative, Mr Baldwin suggests the 1992 programme could produce an increase of between 3.5 and 19.5 per cent in Europe's real standard of living. That com-pares with gains of between 2.5 and 6.5 per cent forecast in the

Cecchini report.

For individual countries, the programme could boost medium-term growth by between 3.1 and 12.5 per cent in Britain,

BASF and Bayer.

The West German industry believes that genetic engineering – a series of new ideas in biology for making new and existing chemicals using methods based on manipulation of genetic

manipulation of genetic material — could be of vital economic importance over the

But efforts hy all three companies to huild up expertise in this area have been hampered by fears about the potential safety risks of the technology, which have been mainly voiced by

application to government authorities to build its plant. Hoechst is hoping that new federal legislation will be

introduced in 1991 which will clarify some of the safety issues related to the

by between 3.3 and 11.7 per cent in France and by between 3.4 and 14.9 per cent in West

Germany.

Mr Baldwin says Cecchini
under-estimated the gains from 1992 by concentrating only on the once-and-for-all, or "static", effects of removing trade barriers on the allocation of economic resources. He argues that those gains

may turn out to be much

"dynamic" effects which will ba felt over the medium

The importance of this "growth boxus", which Mr Baldwin expects to flow through in the 10 years after 1992, would depend on the size of the

initial, one-time gains.

However, he warns that the EC would forego most or all of these benefits if it retreated into "Fortress Europe" policies designed to protect the single market from other countries'

Mr Baldwin's central argument is that, as well as increas-ing the efficiency of the exist-ing capital stock, 1992 will encourage European and other companies to make fresh

Arch rivals seek ways of averting investments in Europe, further boosting output and growth.

Although that boost would wear off in time, Mr Baldwin Greek crisis notes that some contemporary economists argue that

By Kerln Hope in Athens GREECE'S TWO political arch

GREECE'S TWO political arch rivals, conservative leader Mr Constantine Mitsotakis and the former Socialist Prime Minister, Mr Andreas Papandreon, met yesterday to discuss ways of averting a lengthy post election crisis.

The meeting, the first in two years, was the first sign of a possible consensus emerging effer Sunday's election

after Sunday's election resulted in a hung parliament. Mr Mitsotakis, whose New Democracy Party won 148 seats in the 300-member house, is hoping to form a minority Government. But the Conservatives' free market economic policies, which are derided as "Mitso-Thatcherism" by the Socialists, would have to be sharply modified if they are to secure support from the left in a parliamentary wate of confidence.

from the left in a parliamentary vote of confidence.

Mr Papandreou, 70, still bears a grudge against Mr Mitsotakis, 71, for defecting with a group of deputies from his father's centrist party in 1965. The revolt brought the downfall of Mr George Papandreon's government and opened the way for a military coup two years later.

The Socialist leader has again indicated that he would like to join forces with the Communist-dominated Left

Communist-dominated Left Communist-dominated Left Alliance party. But with the Socialists holding 128 seats and the Alliance 21 seats, a left-wing coalition would be a fragile affair, dependent on backing from at least two of the three independent mem-

The Left Alliance leader, Mr Harilaos Florakis, also made a bid for consensus, appealing for a broad-based Government of "mutual acceptance" to be formed to solve "urgent eco-nomic problems, safeguard workers' standards of living and tackle environmental

If Mr Mitsotakis fails to

If Mr Mitsotakis falls to form a Government, Mr Papandreon will take over the mandate at the weekend, followed by Mr Florakis.

It may be left to President Christos Sartzetakis to propose a Government of national unity in a fourth mandate at the end of next week.

French construction groups fined £17m for fixing prices

THE French Competition Council yesterday imposed record fines of FFr166m (£16.8m) on 80 leading road building and construction companies for illicitly conspiring to fix prices for public contracts. This is a remarkable move in

a country which has traditionally urged a flexible approach to competition policy among its European Community part-ners and has frequently fallen foul of EC competition rules itself. Hardest hit is Entreprise Jean-Lefebvre, the privately owned Paris-based road build-ing group, with a fine of FFr30m, easily the highest competition fine imposed in

France.
Two snbsidiaries of Bonygues, one of the world'e largest construction companies, are also found to have broken aleo found to have broken french competition law. They are Screg and Colas, roed building materials and equipment suppliers, which have been fined FFr25m each. There are also hig penalties for Société Chimique de la Route, with FFr18m, and Viafrance with FFr18m, and Viafrance with FFr11m. with FFr11m.

The decision is extremely unusual for the council, which normally keeps to small con-sumer affairs cases, and represents the climax of an inquiry started in 1985 by the Ministry of Finance. However, Mr Pierre Bérégovoy, the Finance Minister, has always been keen to promote competition in all aspects of French economic life and this represented a continuation of that policy, said an official.

The last time the French

authorities imposed a competi-tion fine of anything like this

scale was last year, when it charged a group of property and civil engineering surveyors FFr15hn for price-fixing, including one fine of FFr7bn. The council accuses the road building companies of getting together to decide in advance who should win certain contracts and adjusting their bids accordingly. They also tried to prevent companies outside the ring from forming joint subsidiaries to compete against them in road surfacing materials, said the council. Officials said the European construction industry in general was particularly prone to such practices, which gave rise only earlie: this year to large fines imposed by the Bundeskartellamt, the West German cartel office,

ducers.
"These fines. . . should be of e nature to discourage similar practices in public markets in the future, equally punished with great severity in other countries," said the council.

against a group of cement pro-

Government to split post and telecoms services

By William Dawkins

FRANCE'S POST and telecommunications services are to be split to help them face growing international competition.

Mr Michel Rocard, the Prime

Minister, said yesterday that details of a new institutional framework for the two bodies, framework for the two noties, now part of the Posts and Telecommunications Ministry, would be drawn up in consultation with all involved and put to Parliament next spring.
Fierce opposition is likely from the unions, which are already up in arms about an independent report, commis-

independent report, commissioned by the Government, rec-

ommending separation. They suspect Mr Rocard is paving the way for a possible privatisation of France Telecom, a suggestion strongly denied by government officials.

The report, hy Mr Hubert Prévot, former head of France's national planning agency, falls short of calling for privatisation, but says the telecommunications service needs much more financial and managerial independence if it is to compete adequately against the forces being unleashed by the growing lib-eralisation of the industry in the European Community.



Flowers for Spain's Prime Minister Felipe Gonzalez (centre) at the start of a visit to Hungary yesterday. On the left is his Hungarian counterpart, Mr Miklos Nemeth

Eta bombers pay heavy price

A SPANISH court yesterday ordered some of the longest jail terms in the country's history, sentencing four Basque separatists to 2,232 years' imprisonment each for a bomb attack, Reuter reports from Westerd

Madrid.
Madrid's High Court
sentenced the four, members of
the Basque separatist group
Eta, for an attack in the Spanish capital three years ago

in which 12 Civil Guardsmen The maximum time they can actually serve in jail under Spanish law is 30 years.
Jose Ignacio da Juana,
Antonio Troitino, Esteban
Esteban Nieto and Ines del Rio
Prada were convicted of
murder and 78 charges of attempted murder. They blew up a bus in a

convoy carrying more than 70

guardsmen through central Madrid in July 1986. Sixty people, including 17 passers-by, were injured in the attack, one of the bloodiest by Eta in its 21-year war for a separate

Spain's High Conrt sentenced two Basque separatists last month to 798 years jail each for a 1987 snpermarket car bombing which killed 21 people.



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Kohl sets terms for economic aid

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday called on the East German Communist party "to give up its monopoly on power" and hold free elections as the condition for a "new dimension" of economic aid

from Bonn. The Chancellor said that self-determination for East Germans had to take precedence over the ultimate aim of German reunification. But, in a sign of bow the vision of reforging German unity has come to the top of the political agenda, Mr Kohl told the Bundestag be was "certain" that, given the chance, East Germans would vote for "freedom and unity".

Underlining the mounting squeeze on the leadership of Mr Egon Krenz, Mr Kohl said

that an extension of Bonn's financial support for the East would be worthless unless East Germany decisively reformed its economic system and wound down "the bureaucratic planned economy

By spelling out, for the first time, the toughness of the conditions which Bonn is imposing for economic support, Mr Kohl, speaking during a dehate on the "state of the divided nation", virtually called on the East Berlin Communists to organise their

own eclipse.
Commenting on the latest flood of East Germans leaving their country - 60,000 in the past six days - the Chancellor admitted that the exodus was causing problems for the Federal Republic, above all in housing. But he declared that

the departures were a "symptom of the fundamental problem of East Germany the political leadership there is not elected by the people, and therefore our compatriots (there) cannot identify with this state."

A sign of common policies between the Government and opposition emerged when Mr Hans-Jochen Vogel, the Social Democrat leader, said in the same debate that his party would co-operate with Mr Kohl in helping to solve problems caused by the refugee tide. Mr Vogel also echoeve the call for free elections in the East.

Mr Vogel said that East
Germans had a constitutional right to come to West Germany. But, in a recommendation which was uttered in a more veiled

manner by Mr Kohl, he said that fleeing East Germans should examine whether they should not stay in the East to prevent a decline of the East German state into "lethargy and chaos.'

Mr Kohl said the outflows from East Germany - around 190,000 so far this year -illustrated "that the German question has not been solved, because the people are not willing to put up with present conditions. Latest statistics yesterday showed that 11,000 East Germans came to the West in the 24 bours up to Wednesday morning.

"These events have shown to the whote world that the division of our Fatherland is against nature; that the (Berlin) wall and barbed wire will not exist for ever."



Krenz maps out route down reform's slippery slope

The party may draw conclusions from the experiences of its Communist neighbours, says John Lloyd

R Egon Krenz cannot he accused of moving slowly. Yesterday's Polithuro re-formation, hard on the heels of the resignation of the Government, is the latest in a scries of reformist manoeuvres which has seen the Socialist Unity Party crumble up its previously rigid. ple up its previously rigid stance, like a sbeet of tin before a bulldozer, and toss it

in the Party's own terms, it has effected a revolution. It cannot, bowever, yet know if its terms can satisfy those of the protesters whose ever-larger mass demonstrations have whipped it along the road

to reform. Mr Krenz has been caricatured in a West German paper as an orchestral conductor, running after his departing orchestra, shouting: "Stop! I'm leading this band!". Can he get the band to stop? Can a stable reform be effected on an ever steeper, ever more slippery slope which both satisfies an

slope which noth satisfies an aroused population and retains the Party in its leading role?

In short order, Mr Krenz has;

Instituted an open dialogue between Party leaders with workers in factories, arguing that reforms are on their way and licturing to grievances. and listening to grievances O Indicated that the Volk-skammer, the formerly supine parliament, and the four so-far supine parties should play a more active role in the governing of the country. The nomi-nation of Mr Hans Modrow, the Dresden Party leader and the most reformist of leading Communists, as the next Prime Minister to replace the retired Willi Stoph underscores this.

Allowed the state-controlled media to cover demonstrations neutrally, even sympathetically, and to reflect the new line that the Party was wrong to delay reforms. At the same time, bowever, the media's new "glasnost" is still supportive of the Party: the main paper, Neues Deutsch-land, wrote on October 24 that "our party has in reality no other interest than the people and is now proving it has the courage to face the truth".

East Germany's polítical structure Government Socialist Unity Party Prime Minister **General Secretary** Egon Krenz Hans Modrow * **COUNCIL OF MINISTERS** POLITBURO **VOLKSKAMMER** 11 members including Krenz Executes Polithuro's policies Parliament meets only twice a year, taking alt major decisions rubber stamps all policy Minister, Defence, State Security and **Education Ministers** Socialist Unity Party has 127 seats Party cells operate 4 minor parties SECURITY, INDUSTRY & in all ministries have 52 seets OTHER MINISTRIES enhancing party's rols Social organisations also represented * Needs to be ratified by Volkskammer

THE GOVERNING structure of East Germany has been classically Leninist: the party has been unambiguously

in charge. Mr Egon Krenz, the Socialist Unity (Communist) Party's general secretary (he is also chairman of the State Council, ie bead of state) heads a politburo which makes all policy

In it has been the Prime Minister,

ular support on the East Ger-

man streets, also appeals to Mr

Krenz because it assumes the

continuing leading role of the

• Permitted the engaging of New Forum, the main opposi-

tion group, in committees and groups in such relatively lib-

The list shows a vast deal of ground covered. Bot apart

from the yardstick of what the

people will accept - which cannot yet be known - it can

also be tested against the yard-stick of change elsewhere in Eastern Europe and will be so

eral centres as Dresden.

Communist Party.

the two First Deputy Prime Ministers and the Ministers for Internal Affairs, Defence, State Security and Education.
The Council of Ministers, or what
in the West would be termed a cabinet,
is formally elected by the Volskammer,
or assembly.

That assembly actually contains a minority of Socialist Unity Party deputies, hat the four other parties have so far obeyed the party line, and

the social organisations which are represented — as the trade unions, women's, youth and sport organisations — are themselves party-controlled bodies.

The party itself is organised on the principles of democratic centralism; that is, all decisions taken by the top-level bodies are binding on all members. The formal supreme power is vested in the party congress, which meets once every five years. Between congresses, the central committee carries out party policy, delegating day-to-day rule to the politburo, which has supreme power in party and state.

The system has both the strength and fracility of a manolith. When and fragility of a monolith. When unchallenged and undiluted, it works well by its own lights. When tinkered with, it tends to fall apart.

political reform, stagnation racy but the Federal Government, led by Mr Ante Martity victory that it could claim the country of the country o is for ru

ruling party which monopol-ised political truth and action. Once that falters, it seems, the forces unchained dictate a pace of change which the once-rul-ing group cannot wholly con-trol - if they can control it at all. The evidence tends to the interim conclusion that Communism is an all-or-nothing system: the East German lead-

Anger and distrust of party remain in spite of upheaval

MR EGON Krenz's re-election to head a newly-manned ruling Politburo of the East German Communist Party was not broadly welcomed by East Germans last night. Their only consolation was that Mr Hans Modrow, the reform-minded Party leader of Dresden Dis-trict, was appointed to the Politburo and named Prime

It was widely boped that Mr Modrow's promotion to the Polithuro would be the first step towards him succeeding Mr Krenz as General Secretary

of the Party.

"Half a million people protesting here last Saturday showed what people think of Krenz. We don't trust him," a blue-smocked plumber said in Friedrichstrasse. "He should step down and then the Party should submit itself to free

elections."

If this proved impossible then Mr Modrow was the only man acceptable as Party

man acceptable as Party leader, he said.

The choice of Mr Modrow to bead the government was regarded sceptically. "What good is Modrow leading the government when Krenz is in charge of the Party? Everyone knows it is the Party which decides what the Government does" an editor of a state pub-

Along with most East Germans he found it difficult to believe that Mr Krenz was the man who could reform the neo Stalinist Party. His speeches since taking over the top post three weeks ago had only convinced people that he held on to his ultra-conserva-

tive views.
If expectations of Mr Krenz were low, they were not much higher for the three-day meet-ing of the Central Committee which began yesterday with his re-appointment. "Watch, they'll come up with a resolu-tion as long as your arm and will promise never again to abuse our trust," a researcher remarked. "Then they'll feed us some kind of a new programme. No one will believs it. People at this stage want only one thing, free elections."

A young bricklayer who wore the clasped hands emblem of the Socialist Unity (Communist) Party the SED on his jacket lapel, said rankand file Party members were

angry at the leadership.

"The leaders ruined the Party's reputation with ths people and we down below have to take the ahnse," he said. There had been no "alarm device" to warn the Party of the serious problems in the country, he said. The lesson was that the Party had to be controlled by a "counter-

power."
Mr Krenz's main problem was his past, which would be difficult to live down, he said. He noted that at each night's demonstration the same signs were held up: "Wer einmal lugt..." (He who lies once... is never believed.) This refers to Mr Krenz's role in organising massively-rigged elections last May and in sup-porting the Chinese leader-

ship's suppression of the pro-democracy movement. Mr Modrow's appointment as Prime Minister was a doublededged sword, n schior Party information official noted, L the Government was not given the independence it needed from the Party then Mr Mod-row would be in a quandary, he said.

Massive criticism of the neo-Stalinist SED was mounting from its members in the basic organisations and from within the Party establishment.

Berliner Zeitung, the news-paper of the Party in Berlin, prominently carried an article by a new breed of Party ideolo-gist, Dr Hans-Micbael Karle, who said the Party leadership could no longer make decisions "alone, without any form of social control."

Der Morgen, the newspaper of the increasingly reform-minded Liberal Democratic Party (LDPD) unleashed tren-chant criticism of the SED by noting it had misused its leading role. In the future East Germany must have a multi-party system which it strongly suggested, would have to include an Opposition.

Britain urges dismantling of the Berlin Wall

By Robert Mauthner, Diplomatic Correspondent

BRITAIN yesterday called for people in the German Demo-free elections and thorough-go-cratic Republic want to live ing reforms in East Germany. An unusually frank statement issued by the Foreign Offics in London called not only for the dismantling of the Communist regime, hut also the Berlin Wall which, it said, was "the symbol of a system that has been massively

"The resignation of the poli-buro is an historic step. The people are reaching out to free-dom. The regime can no longer deny it to them," it said. "As in Poland and Hungary, there must be free elections. Openness, pluralism and the rule of law must come. The

like their neighbours. their right. We support it wholebeartedly."
Britain admired "the stead-

fast approach" of the Federal Republic of West Germany and "the massive efforts" it had made to accommodate the peo-ple who bad left East Ger-many. "At the same time, we fully agree with Chancellor Kohi (of West Germany) that people should not leave the GDR. It must become a place where they want to stay," Earlier, the Foreign Office had said it was premature to consider the possibility of sending aid to East Germany.

OTHER EUROPEAN NEWS

West's steel growth 'coming to an end'

By Nick Garnett

ONE OF the longest sustained periods of growth enjoyed by the Western world's steel industry is coming to an end, according to a paper published yesterday hy the International Iron and Steel Institute. An expected decline in consumption next year will he

modest, however, with a fail in Western world consumption of 1.7 per cent. Overall steel demand by the mid-1990s is still expected to be well above that of the more typical years of the mid-1980s.

Meanwhile, production capacity in industrialised coun-

tries will continue to fall but will rise in industrialising countries to a point in 1993 more than a quarter up on two years ago. These views are contained in a paper delivered at a London

conference yesterday by Mr Dieter Anderson, director of the institute's department of economic affairs. Steel demand in the Euro-

pean Community is expected to reach 124m tonnes this year. 3m higher than last year, Mr Anderson said. Japan's consumption will be 6m tonnes up on last year at 93m tonnes. Consumption in the US, bowever peaked last year and this year's figure will be down by about 7m tonnes.

Demand was expected to be up in Taiwan by 20 per cent (3m tonnes) and South Korea hy 12 per cent (2m tonnes), Mr Anderson told the conference, organised by the UK's Institute

of Purchasing and Supply.

Mr Anderson said that adding apparent consumption

in industrialised and developing countries will producs a figure of apparent consump-tion in the West for 1939 of 494m tonnes, 1.8 per cent (9m tonnes) above that of 1988. The institute expected steel output in the so-called central-

ly-planned economies to he unchanged at 297m tonnes, giving a world total figure for this year of 791m tonnes, 1.1 per cent up on 1988. This comes after more than 32 months of sustained growth, the longest in the industry's recent history. Mr Anderson

said 1989 will represent a peak figure, at least matching the previous peak of 1973, even without taking into account higher yields of finished products from crude steel.

The US is predicting a fur-ther decline of 5m tonnes in 1990. Demand in the EC will remain firm but de-stocking will lower the apparent consumption figure by 5m tonnes to 100m tonnes.

The Japanese market will continue to be huoyant though about 3.7 per cent down on this year's exceptionally strong

Total consumption of the industrialised countries next year is expected to fall by 13m tonnes, a drop of 3.4 per cent. For the western world as a whole, it is likely to fall hy just 9m tonnes, a drop of 1.7 per cent on the 1989 peak.

Mr Anderson predicted that Western world consumption by 1995 will have made up the fall expected next year and will be about 495m tonnes, marginally up on 1989.

is not to say that each East European state does not have its own dynamic – nor that the example of Poland, Hungary, Yugoslavia and the Soviet Union is uniformly appealing to the East Germans. But they do give a pointer to what can be achieved and the perils facing the ruling parties.

The Soviet Union has, under Mikhail Gorbachev, liberalised from the top down in response not to demonstrations in the not to demonstrations in the street (these have come after liberalisation) but to analyses accepted by Party reformists

that without reconstruction, a

diplomatic initiative and some

e Embraced (literally) the Gorhachev line of reformism which, while commanding population by the awakened civil society in East Germany. That is not to say that each East release of pressure is contain-sble, especially when living standards are falling: so far, bowever,the Party still "leads" the country and Mr Gorbachev

still leads the Party. Hnngary, and less clearly Yugoslavia, are also attempting top-down reformism. Hun-gary's ruling Socialist Workers Party has transformed (most of) itself into a Socialist Party; the Government has declared itself above party; and elec-tions to Parliament should take place early next year. The Yugoslavian League of Com-munists is split about democ-

ants doth plura and a stronger role for itself (as against the League and the warring republics).

Poland is the awful warning for the East German Communists. Its Party, weakened by years of martial law, began to clutch after reform in the midst of a strike wave and before a sullenly unco-opera-tive people: it brought Solidarity out of the underground to the Round Table, struck a deal on elections which guaranteed power to the communists for four more years, then found that the minority of seats it did allow to be contested returned

It must be stressed the experience of any one of these states cannot be applied crudely to any other. But in common has been a

ership will have a great deal to do to disprove that.

Bonn to ease Warsaw tension with firm offer of help By David Marsh in Bonn MR Helmnt Kohl, the West

German Chancellor, will announce firm economic and political belp from Bonn for the embattled Solidarity-led

the embattled Solidarity-led Government in Warsaw during a five-day visit to Potand starting today.

Mr Kohl, accompanied by Mr Hans-Dietricb Genscher, the Foreign Minister, as well as a strong delegation of ministers, officials, and husiness and cultural figures, will be doing his best to support a new era of non-Communist Polish rule. non-Communist Polish rule. Bonn is due to stgn with Warsaw nine agreements on improving co-operation, ranging from scientific and techni-cal exchanges to work on the environment and an accord to protect German investment in

The West Germans are likely to extend to Warsaw additional export credits for individual projects, which could total The West German Chancellor's six-day visit to Poland which starts today will raise mixed feelings among Poles, Christo-pher Bobinski report from Warsaw

Warsaw.
The visit, designed tn re-open political relations after the martial law freeze, signi-fies support for Poland's pres-ent economic and political changes and normalises econnmlc ties without which

DM3hn (£1bn) over tha next three years. A deal on waiving a large part of a DM1hn Bonn Government loan to Poland in 1975 is also expected to be announced formally. However, Mr Kohl is likely to run into continued Polish resentment over residual German territorial claims on Pol-isb territory – illustrating how centuries of upheaval

Poland's chances of recovery are slight. But memories of the last war, which fuel anxi-eties about Germany's future intentions towards Poland, are never far form the surface, and they run parallel to the respect in which West Germany's economic successes are

held here.
Poland owes West Germany
\$6bn, or just under one seventh of Warsaw's external

between Germany and Poland intrudes still into the present. Reflecting a last-minuta effort by Bonn to allay Polish doubts over the border ques-tion, the Bundestag yesterday voted by a large majority in favour of a motion reaffirming the validity of the present German-Polish border.

The motion, which was backed by the dominant conthe motion, which was backed by the dominant conthe Chancellor's trip. One offi-

debt, and no doubt each meet-ing Mr Kohl will have right ing Mr Kohl will have right across the political spectrum, from Solidarity to the Communists, will have him hear that this burden must be reduced. The two sides will be signing agreements on investment protection as well as on an offer of \$250m towards a \$1bm Western stabilisation loan, and on the re-opening of West German Government's guaran-

> servative parties in Mr Kohl's coalition only after a stormy meeting, represents a compromise between Left and Right. One Bonn government minister said that the disputed bor-der question — which has badly discomfited Mr Tadeusz Mazowiecki, the Polish Prime Minister, in recent days -

The Poles will also want to hear assurances that their post-war Western frontier will never be questioned.

In this, they will in all probability be disappointed, with Mr Kohi sticking to assurances that while West Germany recognises the present from recognises the present fron-tier, he cannot speak for any future German state. cial close to Mr Genscher said

teed credit lines up to the

The Poles will also want to

value of DM3bn.

that the border issue was a "nightmare" and that the compromise would end up satisfying nobody.

The controversy arises from the annexation in 1945 by Poland, at the behest of the

Soviet Union, of eastern areas of Germany formerly belonging to the Reich. Since this seizure has not been sanctioned by a peace treaty, the position of Germany's eastern border with Poland is legally unclear, lead-ing to residual suspicions in Poland that a reunited Germany might one day seek to claim back land. Yesterday's motion, backed

Yesterday's motion, backed by the conservatives as well as the Opposition Social Democrats (SPD) and Mr Genscher's Free Democrats, sets down that the border issue will only be finally resolved on completion of a peace treaty with the Second World War victors. This is in line with the legal interpretation of the 1970 Warsaw Treaty between West Germany and Poland.

However, the Bundestag

However, the Bundestag motion also specifically backs the declaration, snpported above all by Mr Genscher and the SPD, that "the Germans" will make no territorial claims on Poland "either now or in the future".

Solidarity under criticism from allies for 'anti-farming policy'

By Christopher Bobinski in Warsaw

POLAND'S Solidarity-led Government is beginning to come under criticism from its allies, both in Farmers' Solidarity and the established United Peasants' Party (ZSL), a member of the governing coali-

Yesterday Mr Dominick Ludwiczak, the new head of the ZSL, which is due to hold a congress at the end of this month, told a press conference his party was disappointed at the number of senior government posts it had been Mr Ludwiczak, who has had two meetings with Mr Tadeusz Mazowiecki, the Prime Minister, on the subject, said his party, which has minimal electoral support but retains 500,000 members and some 70 seats in Parliament, was getting almost no coverage on

television. "We support this govern ment and we don't want to fight it, but this state of affairs is becoming unbearable." be

The party is also unhappy at the refusal of the Government's economic team to grant farmers investment and other preferences and intervene to switch industrial production to satisfying farmers' needs.
The ZSL is ecboing com-

plaints which are beginning to come from Farmers' Solidarity, lts political rival, whose leader. Mr Jozef Slisz, the deputy Speaker of the Senate recently accussed the Government of conducting an "anti-farming policy".

Three months after controls were removed, retail food prices have risen tenfold, with demand for some Items, such as hutter, milk and the more expensive brands of meat, falling. This is causing fears that farmers may have to restrict output.

Farmers' Solidarity is begin-ning to argue that the Government should re-introduce subsidies but without much success. Mr Arthur Balacz, a Farmers' Solidarity minister in the Government, told a recent

Government did not fully appreciate farmers' problems." The free market price of the US dollar plummeted yes-terday, reaching the ZI 5,000 mark, compared with ZI 7,600 two weeks ago. The fall on the legal hard currency market, which is restricted to private increasingly in need of zlotys to cover everyday expenses are

citizens, comes as companies putting their bard currency export earnings on sale.

meeting in Szczecin that "the

at anctions for companies run hy the Export Development Bank (BRE) fell to Zl 5,500 on Monday, compared with Zl 6,627 two weeks before. The fall has hit all those

Poles who invested in dollars at the beginning of the autumn, when they cost ZI 10,000 or more as a hedge against inflation. On Monday the Government again deval-ued the zloty against the dollar hy 17 per cent, bringing its Thus, the price of the dollar zi 2,800.

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of political activity, mean while, are being detained on the street or at their home,

taken to prison where they are hooded and manacled for four

to five days, and then released

after perfunctory questioning

and a warning against getting involved in politics. Some have also been beaten and there are

continuing reports of torture being used against the thou-sands of political activists

arrested during the past few

press-ganged into acting as porters for the military in their battles against ethnic insurgents. Those who were unable to keep up or fell ill were simply left in the jungle to die, according to increasingly well-documented reports, while others have been shot.

Many of the country's jails

OVERSEAS NEWS

HK drops two charges of corruption against Li

By John Elliott in Hong Kong

HONG KONG authorities have decided not to pursue two of the commercial corruption charges brought last year against Mr Ronald Li, former chairman of the colony's stock exchange

They are also seeking the advice of a senior London lawyer about bow to proceed with 13 out of a total of 16 corruption charges still outstanding against Mr Li and eight other defendants linked in the past with activities on the stock

The Government's legal department has written to Mr Li's solicitors and told them thet no evidence would be offered on a charge that Mr Li accepted HK\$630,500 (£51,260) as a commission on a sub-underwriting contract for 13m Cathay Pacific Airways shares in 1986.

This was referred to in the colony's central magistrates court yesterday by Mr Li'e counsel who also said that Mr counset who also said that Mr Li would appeal on December 11 for the quashing of three bribery charges referred by the prosecution to the High Court. Three months ago it was announced that a charge was being dropped concerning Mr Li's alleged acceptance of 1.1m shares in Kumagai Gumi (HK),



Li: faces many other charges

a joint venture with the Japanese construction company.

The Government's prosecut ing counsel said yesterday that Mr Michael Kalisher, QC, had been hired from London to give legal advice on bow the remaining cases should pro-

It is believed that lawyers in the legal department have not been able to come to an agreed

view on this issue, but a spokesman said that outside advice was needed because the department's "in-bouse QC", Mr A.P.Duckett, had been promoted to be acting public prospector and did not have time to

pector and did not have time to handle the case.

Defence counsel yesterday expressed "grave concern" about the way the legal department was handling the central conrt case which was adjourned until November 29. In particular they attacked it for not proceeding more quickly. They pointed out that it was 22 months since Mr Li was first charged as a result of investigations that followed the 1987 world markets crash.

The criticisms reflect con-

cern in the colony about the handling of the case and they also come at a time when the legal department, which is headed by Mr Jeremy Mathews, attorney general, has become embroiled in contro-

Last month Mr Mathews reversed an earlier decision be had made not to prosecute Mr Christopher Harris, a former senior Crown counsel, for alleged incitement to procure girls under 21 for unlawful sexual intercourse. Three charges have now been brought. Thousands of political activists arrested

Burma abandons efforts at reform

By Roger Matthews in Bangkok

THE REGIME in Burma has failed in its efforts to persuade Japan, formerly its largest aid donor, the international Monetary Fund and the World Bank that it is serious about implementing the programme of eco-nomic and political reform announced over a year ago.

At the same time there is

increasing evidence of a sustained campaign of political repression in Burma despite the announcement of May 27 as the date for the first elections for procedure and proc tions for nearly 30 years.
The State Law and Order

The State Law and Order Restoration Committee headed by General Saw Maung which crushed the massive pro-democracy demonstrations in September 1988 had been increasingly optimistic that the Japanese Government would soon lift its year-long ban on new aid to Burma. Until the crushing of the mass demonstrations Japan had been providing \$250m a year.

Rangoon has also appealed to West Germany, the only

to West Germany, the only western country to maintain a joint venture company in Burma, to resume aid "for the good of the Burmese people". However in a recent message to Rangoon Tokyo has taken a tough stance warning of the damage caused to Burma's international standing by its

recent actions and failure to effect economic reforms. While stressing that Tokyo had no intention of interfering in Burma'e domestic affairs, warned that Burma had to understand the depth of inter-national feeling that had been aroused by its record on human rights.

Japan referred particularly to the house arrest of Aung San Sun Kyi and General Tin Oo, the two leaders of the National League for Democracy, and warned that the desired aim of stable government could only be achieved in Burma when there was an administration which enjoyed popular support. An IMF and World Bank

tam also came away similarly depressed about the lack of progress towards genuine economic reform. The visit had been set up by Tun Tin, a former IMF official who is now close to Gen Saw Maure, but it close to Gen Saw Maung, but it was marred from the outset by the absence from the country of Col Abel, the minister responsible for finance and

Members of the delegation found that no progress had been made in tackling critical problems such as inflation, the budget deficit, and an unrealis-tic exchange rate. The black



market rate for the kyat is now some 10 times higher than the official exchange rate, one of the main causes of the rice shortage in recent months.

Burma defaulted last year on the the the foreign debt and its \$3bn.\$4bn foreign debt and its reservee dropped at one time to an estimated \$25m to \$30m. Although it has earned some foreign currency by sell-ing off timber and fishing concessions, subsequent expendi-ture replenishing ammunition stocks and weaponry for the armed forcee has again brought its reserves to a very

People without any history

Car bomb kills four in Beirut

By Lara Marlowe in West Beirut

A BOOBY-TRAPPED car in West Beirut yesterday killed four people and wounded at least 19 others, just an hour before the arrival in the city of Mr Rene Muswad, the newly elected Lebanese President. The car bomb went off in a parking lot behind the international Red Cross headquarters in the Karakas district of West Beirut only 300 yards from one

ident Muswad was expected to Syrian troops fired auto-

of the two residences that Pres-

Many of the country's jalls have been emptied of common criminals in order to make space for the political detainees about whom little information is provided by the regime. On the rare occasions that visits are permitted to prisoners in Rangoon'e main jail, the queue of relatives begins forming well before dawn, but even then it may be midday or later before they gain admission.

Reports also continue of a mounting death toll among the young men who have been press-ganged into acting as porters for the military in their Syrian troops fired auto-matic weapons into the air to keep crowds away from the burning vehicle.

Among the dead were a mid-die aged woman, a vegetable seller and a small child. Other parked cars and a pile of gas cylinders exploded in the fires

caused by the bomb.

Although President Muswad is a Maronite Christian, his election on Sunday was not recognised by Gen Michel Aoun, the Christian Lebanese military leader.

Gen Aoun refuses to relin-quish the devastated presiden-tial palace at Banbda which he has occupied as interim Prime Minister of a Christian govern-ment in East Beirut since Sep-

Delhi claims compromise over disputed shrine

Sri Lankan troops moved

east after Tiger massacre

By David Housego in Lucknow

THE Indian Government yesterday claimed to have achieved a last minute compromise over the disputed shrine at Ayodhya that could avert much feared clashes between Hindus and Moslems at cere-monles due to start today. The Vishwa Hindu Parishad,

the Hindn fundamentaliet movement, cast doubts, how-ever, over the success of the compromise by declaring that they would go ahead with their own plans as originally

The one encouraging sign was that militant Moslem groups called off planned demonstrations at Ayodhya after hearing assurances from the

Tension remained high yesterday throughout the North-ern Hindi speaking belt as both communities walted to see whether the two-day ceremo-nies to lay the foundation stone of a new Hindu temple would pass off without blood-

As bundreds of thousands of

By Mervyn de Silva in Colombo

ABOUT 900 Sri Lankan troops yesterday moved into Ampara in the war-torn Eastern prov-ince where minority Tamil

guerrilla groups have turned

on each other. The decision follows a mas-

sacre of 26 members of the self-etyled Tamil National

Army by Tamil Tiger guerril-las. It is the first such deploy-ment by Sri Lankan forces

since a 50,000 strong Indian

peace-keeping force took charge of security in Sri

Lanka's north and east after the July 1987 peace accord. Ampara the southernmost district of the ethnically mixed

(Tamil and Moslem) Eastern

I am particularly worried about the large haul of sophis-

ticated weapons that the

135 kilometres north east of here, army units were brought into the area to reinforce the already tight security around

the shrine.
Consecrated bricks have been arriving from all over India with which to construct the new temple which Hindu fundamentalists want to locate on the site of the Babri Masjid, a 6th century mosque. Hindu militants believe that the mosque - used by Hindus as a shrine for the last three years marks the place where Lord Rama, one of the leading Hindu gods, was born.

The apparent compromise was worked out at a meeting here yesterday betwee Mr Buta Singh, the Home Minister, and representatives of the Vishwa Hindu Parishad. Under the compromise the foundation stone for the new temple would not be laid on what has been termed "disputed" land adjacent to the mosque but at some distance away. The compro-mise leaves open for the future whether the temple would extend Ayodya, a small town about occupied by the mosque.

On Sunday 300 Tamil Tiger guerrillas stormed two camps

vacated by the Indian army and left in the hands of three

pro-Indian Tamil guerrilla groups, the EPRLF, the TELO and the ENDLF. The groups bad combined to form a so-called Tamil National Army.

The Tigers massacred 26 guer-rillas and left with truckloads of sophisticated arms given to the EPRLF by the departing

Indians. "The weapons are more modern than any the Sri

Lankan army bas in its armoury", said Mr Wijerstne.

The three guerrilla groups are bitter rivals of the LTTE.

Tigers which together control

the guise of doing so, they set np a 7,000 strong Tamil National Army, trained and equipped by the Indians.

Western donors pledge Nigeria \$600m aid

By lan Davidson in Paris

WESTERN donor countries have undertaken to provide Nigeria with more than \$600m in concessional aid next year.
The commitments were made
at the first meeting of the new
Consultative Group for
Nigeria, held in Paris under

World Bank auspices.
The Consultative Group,
which includes member governments of the Gronp of Seven leading industrialised countries, congratulated the Nigerian Government on its commitment to the Structural

Adjustment Programme which it adopted in 1986 after the very steep drop in oil prices. With a per capita income of less than \$300, Nigeria is recog-nised to fall in the ranks of the low-income countries, and the Group reaffirmed its support for the government's policy of achieving steady growth and minimising the social impact of the adjustment programme, especially for the poor.

The breakdown of the \$600m between donor countries was not disclosed by the World

Bank. But Mr Abubakar Alhaji, Nigerian Minister of State, said afterwards that it did not include commitments from either Japan or Saudi Arabia, and indicated that he expected commitments from these two countries later.

Other Consultative Group members are Canada, France, West Germany, Italy, the UK, the US, as well as a number of multilateral aid institutions including the African Development Bank and the IMF, Mr Alhaji also said that

Nigeria would be approaching donor countries in the Paris Cinh early next year for a rescheduling of its debt burden of \$29bn, on which the service could not be sustained.

The consultative meeting expressed particular concern over the implications of the tight fiscal policy in Nigeria for social sector expenditures and the need to protect the poor, the donor delegates emphasised the importance of food security, primary health care and primary education.

Mandela to start talks with PAC leader

By Jim Jones in Johannesburg

MR Nelson Mandela, the ANC leader, and Jeff Masemola, the recently freed Pan Africanist Congress (PAC) leader, are to begin six-days of talks today at Mr Mandela's house at the Vic-tor Verster prison.

The meeting is unprecedented as Mr Masemola will be living with Mr Mandela for the entire six days of discussions aimed at striking agreements between their two liberation movements. Mr Masemola said recently the PAC was not willing to dissolve itself to merge

Jordan votes

for first time

FOR the first time in 22 years

Jordanians went to the polls yesterday to elect a parliament

that is viewed here as a pre-requisite for public confidence in the establishment.

ditionalists, Pan Arab Nationalists and communists were

contesting the 80-seat parlia-ment. In general the balloting was calm and orderly and, except for complaints of minor

Islamic fundamentalists, tra-

in 22 years

By Lamis Andoni in

Amman

with the ANC but was pre-pared to discuss a common front in any negotiations with the De Klerk government. In recent weeks the PAC has been publicly softened its extreme Africanist stance, saying it is not against whites but is opposed to white domina-tion. The ANC is determinedly multiracial.

Neither organisation will admit to initiating the Mandela/Masemola meeting, but it is not inconceivable that the Government was a willing

facilitator. Though he remains under house arrest, Mr Man-dela has a telephone and fax machine to keep in contact with his associates inside and outside the country and he has virtually unlimited access to visitors he chooses.

Neither man can strike a deal with the other without first getting the green light from their two organisations' external and internal leader

ships.
If Pretoria'e plans for multiracial discussions on Sonth

Africa's future are to succeed it would prefer to have a united front of representative blacks at the negotiating table.

This, in turn, will involve persuading other groups, such as chief Mangosuthn Buthelezi's Inkatha movement, to Join in. However, time is running short as it is widely believed Mr Mandela will be freed next January next year and that he will participate in talks aimed at extricating the country from its racial impasse.

for the Khmer Rouge and its support for the resistance coalition of which they are members. "Prince Sihanouk can do what he likee," the spokesman said.

Mr Hurd nevertheleee announced that Britain had decided "to adapt" its stance at

Britain condemns the Khmer Rouge

By Robert Mauthner, Diplomatic Correspondent

BRITAIN yesterday strongly condemned the Khmer Rouge, responsible for killing an esti-mated 1m Cambodians from 1975 to 1978, but at the same time continued to express sup-port for Prince Sihanouk, the leader of a three-party Cam-bodian resistance movement of which the Khmer Rouges are members.

members.
Mr Douglas Hurd, the British
Foreign Secretary, in a statement in the House of Commons, said the British Government's objective was "a
sovereign and independent
Cambodia, whose people are
free to decide on their own
future."

Britain did not have any dip-lomatic relations with "the unelected regime put in power by the Vietnamese At the same time it had consistently made plain its repugnance for the Khmer Rouge.

"We have never given and will never give support of any kind to the Khmer Rouge," Mr Hurd

A Foreign Office spokesman was unable to throw any light on the apparent contradiction between Britain'e repugnance

the United Nations on Cambodia. As far as the present session of the UN General Assembly was concerned, the question of the seat for Cambodia had been settled.

The decision by the Credentials Committee that it should continue to be filled by Prince Sibanouk's Coalition Govern-

ment of Democratic Kampu-chea had been approved without a vote. But Britain's long-standing support for this position in no way implied readiness to deal

with that Coalition as a gov-ernment, much less support for the Khmer Rouge.

Britain had decided with its friends and partners to modify the draft Resolution which it, together with 73 other UN member states, were co-spon-soring at the UN General Assembly in the debate next

These changes were intended to make clear that the situation in Cambodia had changed and that Britain did not support the Khmer Rouge

in any way. Britain had also decided to step up its bumanitarian aid programme to Cambodia by an additional contribution of \$397.500 to be channeled through various UN and nongovernmental agencies to help the many thousands of Cam-bodians living in camps along the Thai-Cambodia border, Mr

Cambodian premier says war 'inevitable'

CAMBODIAN Premier Hun

In an interview with the official Cambodian news agency SPK, Hun Sen down-played recent victories by a three-party resistance coalition that includes the Khmer Rouge and two non-Commu-

He accused China, the US, France, Britain, Singapore, Malaysia and Thailand of involvement in the guerrillas' military activities.

Hun Sen said a number of countries had not honoured their commitments to cease military aid to the coalition after the withdrawal of all Vistuamese forces from Com-

Vietnamese forces from Cam-bodia last month.

ble in Cambodia. The Khmer reactionary forces and their reactionary forces and their outside supporters are intend-ing to make a test of forces in the military field within six months before they engage in a new round of talks," Hun

Hun Sen said the first stage of the guerrillas' strategy was to seize the north-western provinces of Battambang. Siem Reap and Bantey Mean-

"Over the past months, the enemy has made the highest possible efforts in their mili-

"noisy claims about their so-called victories are nothing but a ploy of their psychologi-cal warfare."



Sen yesterday said civil war was "inevitable" in Cambodia because foreign countries were funneling arms to guerrillas who oppose his Soviet-backed government, AP reports from Thailand.

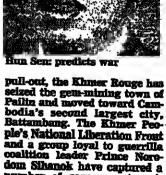
nist groups. He accused China, the US,

nce a civil war is inevita-

SPK's report in Phnom Penh was monitored in Bangkok.

tary campaigns involving almost all the armed forces of the three Khmer reactionary factions," he said. But he said the coalition's

Since the Vietnamese troop



number of government posi-tions in the northwest. The Cambodian army is supplied with weapons from the Soviet Union and until last month was backed by a formi-dable Vietnamese force that invaded the country in late

Hun Sen accused China, the US, France and Singapore of US, France and Singapore of shipping military supplies to the guerrillas, and Thalland, Britain, Malaysia and the United States of training the two non-Communist groups. Hun Sen said China was training the Whyser Power ing the Khmer Rouge. The premier said Chinese,

American and Thai military advisers and some That merce-naries had joined the guerri-las during their offensive.

The US denies sending lethal aid to the two non-Communist factions, but provides other forms of assistance. China and Thatland long have been the major backers of the coalition.

harassment by some leftist and Islamic candidates, the process was described as "fair and Province has a large concentra-tion of Sinhalese Buddhists. the north-east provincial coun-cil set up after the "accord" to Mr Ranjan Wijeratne, the Defence Minister, who returned from the province on Tuesday said in an interview: give the Tamils a measure of There were huge crowds in front of voting centres while children in the Baqaa refugee camp, the higgest Palestinian refugee camp in the country, took to the dusty streets and alleys in small parades shouther parades and alleys in small parades regional autonomy. The coun-cil was given the power to cre-Jordanian voters in traditional head-dress present election cards to officials vesterday ate a civilian volunteer force to undertake police duties. Under anti-government protects swept some parts of the country, political freedoms were sharply curtailed under marand destributing leaflets. Exhibitation was mixed with fear that the reign of political liberalisation would be short lived. Until last April, when The situation is explosive and

Likud ready to strike at the heartland of socialism Hugh Carnegy reports on the battle for control of Israel's powerful Histadrut trade union federation

OR several years Israel'e right-wing Likud party has had the country's Labour Party, whose socialist Zionism dominated Israeli politics and the country is the country in the country is the country is the country is the country in the country in the country in the country is the country in the country in the country in the country is the country in the country in the country in the country is the country in the country in the country in the country in the country is the country in t tics until a decade ago, on the defensive. Likud hopes to extend this ascendancy next week by striking Labour in its hitherto unassailable heartland, the powerful Histadrut

On Monday the Histadrut holds its four-yearly leadership elections, in which no less than 1.5m voters - or about half of the country's total electorate - are eligible to vote.

Opinion polls suggest Labour will retain overall control of the federation, which is much more than a trade union. It is a founding institution of the state and a pillar of Israel's eocialist establiebment. Its slew of industries, its health fund, pension fund and other organisations account for a remarkable 25 per cent of gross national product. However, the polls also show that the Likud

is likely to make significant gains, perhaps increasing its share of the vote from 23 to 30 year ago and enbasquent per cent. It may win control of municipal electione, would some of the 65 local trade union councils up for election

at the same time as the national leadership. For the Labour Party – already hit by the decision of its erstwhile small, left-wing partner Mapam to fight indepen-dently - the battle is to retain 50 per cent of the vote which would ensure its supremacy in the federation without having to barter with smaller groups. This would be quite a slide from the 69 per cent it won in harness with Mapam in 1985, but in the circumstances

opinion poll. A poor showing

would be greeted by the party as a considerable achievement. The outcome may well have strong repercussions on the fraught Likud-Labour coalition government led by Mr Yitzhak Shamir, the Likud Prime Min-ister, who has billed the election as a kind of giant national

weaken its already unconvincing efforts to push Mr Shamir into making concessions for peace with the Palestinians. it would undermine the security of Mr Shimon Peres as party leader and deepen Labour's dilemma: whether the greater threat to its future lies in risking a probable defeat in an early general election or in continuing the demoralising five-year-old partnership with

But while these issues will grab the headlines, there is another debate underlying the election: this concerns the role of the Histadrut in an economy which is attempting to evolve out of its traditional socialist past into a more liberal, mar-ket-orientated future. The His-tadrut is perhaps the greatest symbol of that past.
Since 1923, when it founded
its industrial holding arm the

Hevrat Ha'ovdim – The Work-ers' Company – to provide employment and bousing for Jewish immigrants to Pales-tine, the Histadrut has built up what amounts to an economy within an economy based, essentially, on the principle of providing for workers' welfare. Today Hevrat Ha'ovdim controls 30 per cent of industrial output through an array of companies covering almost every sector. The Histadrut's health insurance scheme covers some 80 per cent of the population, providing a virtual national health system. Its pen-sion fund has 400,000 members.

¬ be painful truth is, however, that many - if not most - of these enter-prises are unprofitable or worse. In the last year, the biggest industrial group, Koor, has come close to liquidation and is shrinking fast as desperate attempts are made to keep on top of a \$1.2bm debt. The health insurance fund is reckoned to have an accumulated deficit of Shl lbn (£330m) and is propped up by the Govern-ment. The pension fund is said by the Finance Ministry to have an actuarial deficit of Shi 15 hn - equivalent to about 20 per cent of GNP.
Likud has tackled this by
proposing that the Histadrut
end its dual role of trade union and employer by selling its

sharply curtailed under mar-tial law, in effect since 1967. turning-point

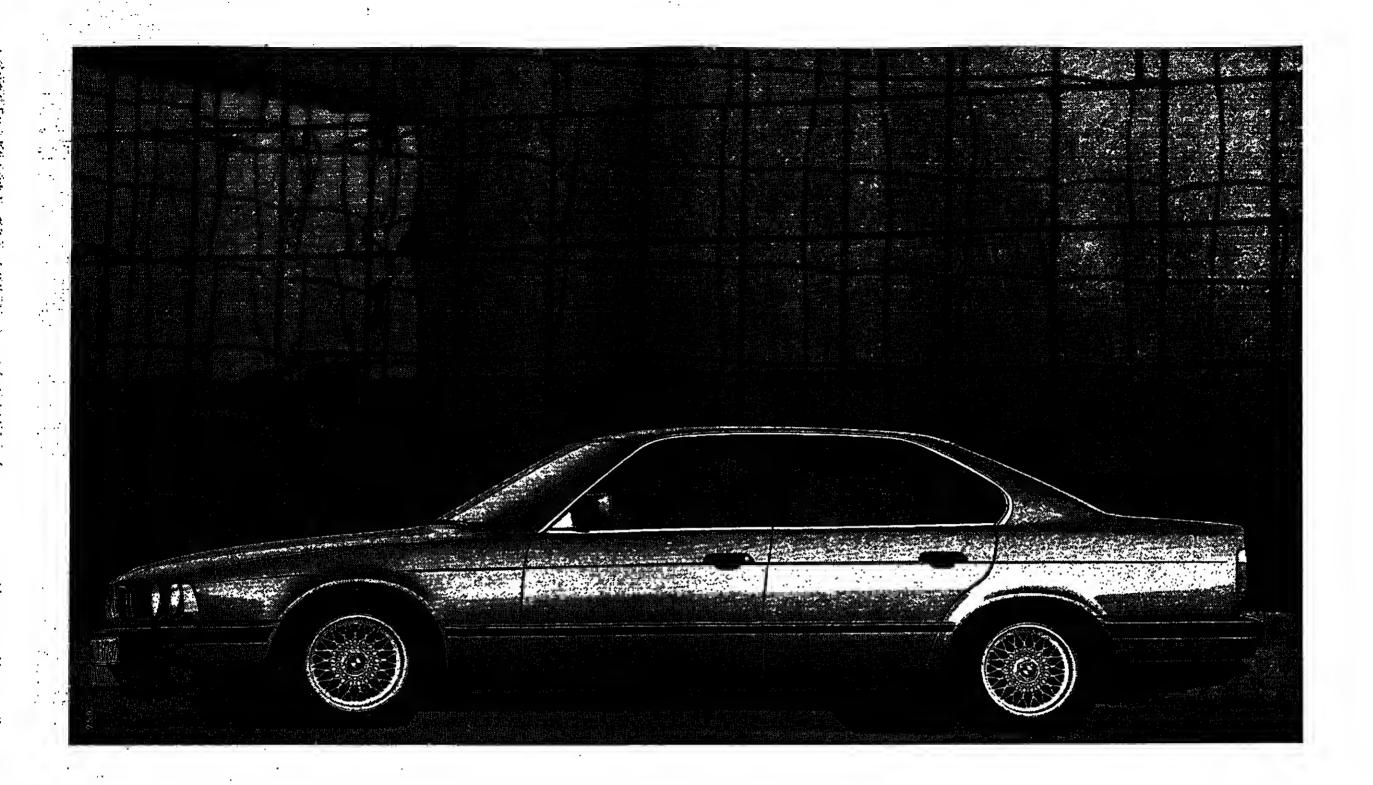
industries to employees and investors and use the proceeds to help rescue the pension fund. A withering report by a panel of academics recommending this, commissioned by Mr Ya'acov Shamai, the Likud candidate for general secretary, painted a picture of inefficiency, bad management and lack of accountability.

"An accurate portrayal of the workers' enterprises of the Histadrut is that of a privileged chib for the benefit of managers who are well-rewarded and secure and who are free of monitoring and financial discipline," it said.

Mr Yair Tsaban, the commit-ted socialist candidate of Mapam, also acknowledges the need for reform. He points out, for example, that the supreme executive branch of Hevrat Ha'ovdim is made up of the same members as the execu-tive branch of the Histadrut, without management or worker representatives.
Labour's response, under its

incumbent general secretary Mr Israel Kessar, has been to avoid talking about change and emphasise the security that Histadrut offers it members - which may ring hollow to Koor workers recently laid off in their thousands.

The party is in an awkward position. Its leader, Mr Peres, is, after all, a leading exponent of privatisation. Labour knows, as the Koor example has illustrated, that the problems of the Histadrut enterprises cannot be ignored. How they are dealt with will have a profound influence on the future shape of the Israeli economy.



EUROPE'S COMMON BUSINESS FOUNDATION.

Shared values make it possible to bring Europe under one roof. This applies to politics, economics and - last but by no means least - the European | which combines a high level of economy with impressive, silky smooth

motorist. An increasing number of demanding motorists are deciding in favour of the BMW 5 Series - and for some very good reasons.

The safety of the body. Deformation zones calculated by computer, integrated impact boxes at the front, reversible shock absorbers front The interly judged foundation of the BMW 5 Series; an axis ratio of 50:50 is ideal for precision tracking and handling.

and rear and a strong passenger compartment provide a level of driver and passenger protection which is much greater than the average.

The effortless manner in which the technically advanced suspension deals with any situation. The ideal axle load ratio - 50 % on the double-joint, spring-strut axle and 50% on the precision swinging-arm rear axle - guarantees outstanding stability and handling. From the BMW 525i onwards, a four-channel anti-locking system is fitted as standard in order to maintain correct steering even with full brake application.

The efficiency of the extremely modern 6-cylinder engine

running. This is the result of the pioneering, fully Digital Motor Electronics (DME).

The testimonials handed out to the BMW 5 Series in the international press. There is hardly a single test in which the 5 series has not emerged as the clear victor.



The respect for the BMW 5 Series among a public impressed by its superior overall concept.

The aura of the BMW 5 Series, emanating from its striking and shapely design. All these, together with the impressive sales figures, provide convincing evidence that Europe has agreed on a common and forward-looking business foundation. When will you join this business foundation?



Car insuring

at standstill

in California

claim agents

INDEPENDENT insorance agents in California have accused leading insurers of seeking to avoid writing ear insurance in the lead-up to

implementation of Proposition 103 which makes substantial reductions in insurance rates.

Insurance rates for private passenger cars in California are frozen while hearings are conducted into how far rates should be cut and how they should be determined. Index

should be cut and how they should be determined. Under Proposition 103 rates should be reduced to 20 per cent below the level of November. 1967, with a further cut of 20 per cent for good drivers.

The passage of Proposition 103 in November, 1988, is of critical importance to US insurance companies and their customers. For the first time

insurance companies and their customers. For the first time rates for most property and casualty insurance will be regulated in California, with the likelihood that the precedent will be followed in other

Independent insurance agents now say that Cigna Property/ Casualty and Aetna Life Insurance have cut commissions paid on premiums to agents from 15 to 10 per cent, citing the need to cut costs because of Proposition 103. The Independent Insurance Agents and Brokers of Calif-

Agents and Brokers of Calif-ornia said yesterday: "We can only guess they don't want to write auto insurance in Calif-

However the hig direct writ-ers of car insurance in Calif-ornie — Allstate Insurance State Farm and Farmers

Group - are continuing to write insurance and keen to maintain market share.

The imposition of Proposi-tion 103, which means tougher

regulation of property/casu-alty insurance not just in Cal-ifornia but in the US as a

whole, is likely to happen in

winds, is harly to happen in early 1990 at the end of hearings starting this week on the rate reactions, "good driver discount" and fair rate of return for companies.

Nevertheless the savocates of Proposition 103 are confi-

Nevertheless the sdvocates of Proposition 103 are confident that cuts will occur and the precedent of regulating property/casualty insurance, and above all private car insurance, is spreading. Mr Harvey Rosenfield, who led the campaign for Proposition 103, says he is confident that the cuts in rates will come soon but the timescale of their implementation depends "on when the insurance industry

when the insurance industry

Mr Bosenfield and supporters of Proposition 103 want to see individual driving records,

In addition an insurer could only terminate or fail to renew a car insurance policy for non-payment of premium, fraud or misrepresentation, or

a substantial increase in the hazard insured against.

By Patrick Cockburn

Brazil reverses decision to freeze profit transfers

By Ivo Dawnay in Rio de Janeiro

BRAZIL has reversed its decision to freeze foreign com-panies' remittances of profits after coming under intense pressure from international

If confirmed, the turnabout would represent a significant victory for the foreigners who were dismayed by a move in June to halt profit transfers as part of measures aimed at bolstering Brazil's foreign

stering Brazil's foreign exchange reserves. Two months after the regulations were introduced, the central bank relaxed the rules hy allowing the transfer of dividends after e 60-day delay.

But profit remittances deemed to be over and above average dividends were retained, one company confirmed yesterday. The restraints caused considerable controversy among foreign controversy among foreign companies which had long enjoyed stable rules on remittances. These allowed them to remit up to 12 per cent of their registered capital funds brought into the country.

Mexico's opposition National Action Party (PAN) and the ruling Institutional Revolution-ary Party (PRI) seems to be over following an incident in which PAN supporters were

beaten up.
PAN, a conservative opposition party, and the PRI formed an unlikely alliance around last month's electoral "reform"

package.
Aboot 50 PAN supporters were forcibly evicted by police while peacefully demonstrating outside the Governor's palace in Culiacan, Sinaloa.
Mr Rafael Morgan Rios, the PAN candidate for the city in last munth's elections for the

last month's elections for the state legislature, was brutally beaten up and taken to hospi-

tal in the incident early on Tuesday, according to Mr Luis

Mexico's political

alliance in jeopardy

THE HONEYMOON between Mexico's opposition National Action Party (PAN) and the ruling Institutional Revolution-

without incurring penal tax

The attempt to distinguish between what might be designated dividends and what might be profits over and above dividends also compli-cated the process. Foreign com-panies also complained that delayed dividend remittances were not attracting even Libor interests rates during the 60-day freeze as they had during past restrictions on foreign

exchange transfers.

Now a report in the Rio de
Janeiro newspaper, Jornal do
Brasil, has said that senior
bank officials have decided to
withdraw the distinction
between profits and dividends.
Acknowledging that loans Acknowledging that loans from foreign banks were now "a thing of the past" in the light of Brazil's September moratorium on foreign deht interest, Mr Silvio Rodrigues Alves, head of the economic department, conceded that the central bank had come under fierce pressure to reverse its position.

actively disputing the official results for Culiacan and also

Mazatlan in the October 8 elec-

PAN, which was awarded

only three seats in the 20-member assembly despite its strength in the state, has also filed charges against officials for failing to recognise what it claims to have been the undoubted victory of its candidate to the mayorship of Mazatlam

Mr Alvarez claimed that among others rounded up,

thrown into trucks and dumped on the outskirts of the

city were Mr Rafael Nuñez Pel-

legrin, federal deputy for the state.

"Companies will only invest in Brazil if they have security and the freeing of profit transfers was an attempt to improve Brazil's relationship with for-

eign investors to attract capi-tal," he told the newspaper. Central Bank officials were unable to confirm the report officially yesterday. However, the finance director of one multinational company said he believed the report to be cor-

The whole business has been an unmitigated disaster," he said. "What we need is stable long term rules - now, perhaps, we will get them."

• Lawyers acting for Mr Silvio Santos, the television impresario who has become a candidate in Brazil's presidential elections. responding to legal moves aimed at ruling him ineligible to participate in next week's poll. A decision on the candidacy is expected late tomorrow but might series be challenged. but might again be challenged in appeals to the Supreme Court.

EC announces aid package

Mr Abel Matutes, the Commissioner in charge of EC rela-tions with Latin America said

By Lucy Kellaway

THE EC yesterday announced a new three year aid programme for Central America of Ecul20m (\$100m), aimed to increase trade between the five countries

tions with Latin America said yesterday that this was the first aid of its sort, and that it would have important macro economic effects in the region, and would lead to an increase in growth of 1 per cent.

The aid, Ecu40m of which will be extended in the first will be extended in the first year, will be used to provide cnuntries with foreign exchange, and with finance for imports and investments.

The five countries are affected are Costa Rica, Salvador, Guatemala, Honduras and

Trinidad and Tobago seeks to counter treachery of oil price

Canute James on braking an economic tailspin

T IS the same with nations as it is with people, says Mr A. N. R. Rohinson, Prime Minister of Trinidad and Tobago: "To avoid the worst, you have to introduce some kind of adjustment to your

And he feels his implementa-tion of a structural edjustment programme at the start of this year was timely, and prevented the economy falling apart. "You do not have to look very far to see what is happen-ing today. You see what is happening in Guyana. Do you see what has heppened in Jamaica? Jamaica's debt is the equivalent of 150 per cent of its

gross national product. Ours is 40 per cent."

The measures, intended to correct the imbalances in Trinidad and Tobago's oil-de-pendent economy, heve been largely more moderate than those implemented in Jamaica and Guyana. But the nature of the problem is the same.

High oil prices fuelled the robust economy to the point of overheating. The country became one of the most indus-trialised in the Carlbhean. enjoyed a per capita income way above that of its neighway above that of its neighbours and had become a bene-fector to less well-endowed states in the region.

But the softening of the oil market unravelled the con-

omy which depended on little else. Foreign reserves which were \$3.3hn in 1981 were wiped out hy last year. The petroleum sector's contribution to government revenues fell by a half from 1981 to less than 30 per cent last year. The fiscal and balance of payments accounts were under added pressure from the need to linance a foreign debt of \$1.8bn, made up mainly of sbort- and medium-

term obligations. It was the pressure of servicing the deht which offered the stiffest challenge. The Government saw the need for refinancing arrangements with Its commercial bank and Paris

Clnh of official creditors, none of which would entertain its requests hefore an International Monetary Fund programme was concluded. Withoot refinancing, servicing the foreign debt would have demanded \$474m this year, \$537m in 1990 and \$337m in



CARIBBEAN structural adjustment

Deht servicing was being met, but there was a reduction in imports and the allocation of increasingly scarce foreign exchange was regulated. The administration was faced with growing difficulty in maintaining subsidies to several state companies which were heavy losers, and was being forced to reduce this support as part of general cuts in government

The economy went into a tallspin, recording six consecu-tive years of contraction. Last year's decline in GDP was 3.5 per cent. Claiming that the parlons state of the economy was due, in part, to the faulty administration of the previous government, Mr Rohinson turned to the IMF.

The help, when it came, fol-lowed the pattern of a package of stand-by credits and compensatory financing assistance totalling SDR141.5m (£114m), with a structural adjustment programme.

ernment and the IMF was preceded by an 18 per cent devalu-ation of the Trinidsd and mileage driven and experience rather than where a driver Tobago dollar, to a rate of 4.25 to the US dollar. This followed rather than where a driver lives as the main factors determining insurance rates.

Every company should have a "good driver" policy, available at a 20 per cent discount to drivers with not more than one moving traffic violation over the previous three years.

In addition on insurance could a 33 per cent devaluation in

The adjustment programme included a proposed 10 per cent wage cnt for government employees as part of an effort to reduce the public sector defi-cit from 7 per cent of GDP last year to 4.1 per cent this year. This immediately raised the hackles of the country's trade unions which represented employees of the state. But a one-day strike in March by teachers, bus drivers and sugar workers failed to change the Government's pol-

Althnugh the dislocation caused by the programme in Trinidad and Tobago has not heen as far-reaching as in Jamaica and Guyana, its imple mentation is being viewed with concern not only hy organised labour. The deregulation of trade, which is one of the conditions of the IMF package, is worrying the private business

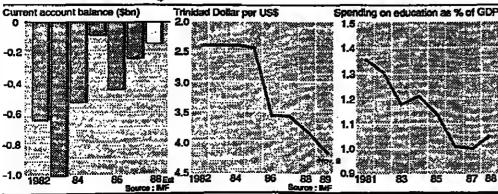
According to the Trinidad and Tohago Manufacturers Association, the deregulation of imports and the granting of duty free concessions were

"not practical for small coun-tries like ours".

The association has asked the Government to be "careful" that the policy does not cause a contraction of the manufacturing sector. Structural adjustment, argue the manu facturers, means that Trinida-dian goods are competing with imports from countries where producers get concessions from

governments. There is little else we can do," said one senior govern-ment official. "It is not some-thing that the IMF wants and we have accepted. We see it as being necessary because we cannot go on spending more than we are earning. And we have to act now."

Agreement hetween the gov-Trinidad and Tobago



US blacks score famous victories

Lionel Barber reports on some bad news for Bush from the polls

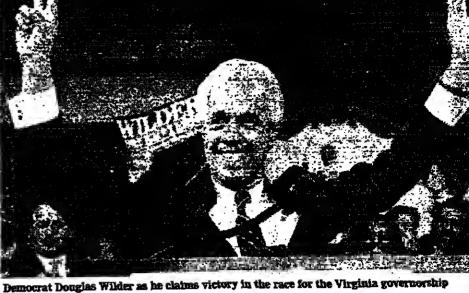
BLACK candidates scored historic victories in the off-year US elections as the Democratic Party notched up nationwide wins which may signal problems for the Repub-lican party in 1990. Mr Douglas Wilder and Mr David Dinkins scored first-ever

wins for blacks in the race for governor of Virginia and mayor of New York respectively. However, in both contests the margin of victory was lower than forecast in the polls, particularly in Virginia where Mr Marshall Coleman, the Republican, may seek a

In New Jersey, Congressman James Florio, running as e proponent of activist government, easily beat Congressman James Courter, his conservative Republican opponent, in the rece for governor. Demo-crat gains could be even more significant if, as expected, they assume control of New Jersey's Assembly and redraw congressional district lines after the 1990 census.

Mr Ron Brown, the black chairman of the Democratic National committee, pro-nounced the victories as a "blow-out" for the Republicans. Mr Lee Atwater, chairman of the Republican national com-mittee, responded by quoting the words of Mr Thomas P. "Tip" O'Nelll, the former Democratic House speaker, who once said that "all politics is local."

The implicit warning is not to draw too many national lessons from a few state and local elections. But this year's conlaboratories for issues such as race, abortion and negative TV



important mid-term elections important min-term electrons next year for the House, Senate and governorships. Also at stake was whether President George Bush's high national approval rating would trans-late into Republican gains at

late into Republican gains at local level.

Initial surveys indicate that Mr Bush's popularity failed to move significant numbers of voters, even though he won Virginia and New Jersey easily in last year's presidential election. Moreover, Democrats such as Mr Wilder who ran on "nro-choice" platforms benepro-choice" platforms beneited at the expense of Republicans who either equivocated
on abortion or stuck to their
inti-abortion positions.

This is not good news for Mr "pro-choice" platforms bene-fited at the expense of Republicans who either equivocated on abortion or stuck to their anti-abortion positions.

Bush. It accounts for his recent efforts to tone down his previ-ous anti-abortion rhetoric and ous ann-abortion record and argue that reasonable people can disagree about the subject. While Mr Bush may be right in saying, as he did this week, that abortion is not the single most decisive issue for voters, exit polls in Virginia and New Jersey show that many women felt it was an important influ-

One exit polling sample in Virginia indicated that single issue voters concerned about

abortion laws and that those concerned about abortion voted 2 to 1 for Mr Florio, the

In other races, Mr Mike White became mayor of Cleveland, defying charges of wifebeating (by two former spouses) to beat a fellow black

in Seattle, Mr Norman Rice, became the city's first black mayor. In Houston, Ms Kathy Whitmaire won her fifth-term year term as mayor. Each winner took part in non-partisan elections. By recapturing New Jersey's governorship and holding on to Virginia, Democrats now control 29 statehouses, compared to Republi-cans holding 21.

Few New Yorkers believe Mr Dinkins can provide this and even before the votes were finally counted, his political adversaries had already launched into the attack. "The election of David Dink-ing a black man to the highest

"The election of David Dinkins, a black man, to the highest political office in the capital of the world is an historic event—the ultimate, visible testament to equality for a minority too long denied," declared the right-wing New York Post's principal columnist, Ray Kerrison, yesterday morning.

After another sentence of perfunctory congratulations, Mr Kerrison proceeded to lay into Mr Dinkins with the terrifying ferocity of a New York cab driver jumping a mile-long

cab driver jumping a mile-long

avenue of amber lights. Then

Troubled NY will put Dinkins to the test

By Anatole Kaletsky in New York

MR David Dinkins' election on Tuesday was truly a symbolic victory – most obviously for the black community of Amerira's biggest city and for Mr Dinkins personally, after an entire lifetime devoted to slow and patient progress up New York's Democratic Party

But, just as importantly, at least for New Yorkers, Mr Dinkins' surprisingly narrow Dinkins' surprisingly narrow election win seemed to mark a troubling psychological turning point for what was a few years ago the world's proudest city. For Mr Dinkins' reticent and indecisive manner seems perfectly to symbolise the uncertainty and foreboding which has swent saids the trawhich has swept aside the tra-York with the passing of the financial boom times of the mid-1980s.

The mixed emotions evoked by Mr Dinkins' election were evidenced most clearly by the evidenced most clearly by the surprising narrowness of his victory. The margin of only three percentage points over Rudolph Giuliani was much lower than the 10 to 15 per cent opinion polls had predicted, a difference which seemed to reflect the ambiguous effect of race on the result. White people were apparently less eager to back e black man in the privacy of a voting booth than to express their support in conto express their support in conversation with e polister.

A similar message of racial

US OFF-YEAR ELECTIONS State/City GUBERNATORIAL*
New Jersey
Legislaturet;
Virginiat
Legislature;
MAYORAL James Florio (D) Dems 43 (39) Douglas Wilder (D) Dems 59 (64) J Courter (R) Reps 37 (41) J M Coleman Reps 39(34) David Dinkins (D)
Sue Myrick (N) (I)
Carrie Perry (I)
Xavier Suarez (I) (N)
Don Fraser (N)(I)
Suphle Mastoti (I)
John Deniels (D)
Norman Rice (N)
Coleman Young (I)(N)
Michael White (N)
Katherine Whitmire (N)
Ben Michael (D)
Chester Jestins (N) R Giulani (R) C Madens (N) Unopposed A LaCasa (N) J Peterson Detroit Cleveland Houston Itheca, NY Durham, N Ca OTHER Craig Washington (D) Anthony Half (D)

divisions was conveyed by the exit polls, which showed that two-thirds of white New Yorkers cast their ballots for Giuliani, while Dinkins won 90 per cent of the hlack votes. By recent US standards, however, these voting patterns suggested a city where racism

was relatively subdued.
In Chicago's recent mayoral election, for instance, the whites, as well as the blacks, voted for candidates of their own colour by a margin of nine to one. In grant then the to one. In general, then, the

racial aspect of Mr Dinkins' victory was probably a cause of pride, rather than distress, among most New York voters. The deeper causes of anxiety for the city now do not lie in the racial significance of Mr Dinkins' victory but in its eco-nomic and political impact. For what New York seems to need,

were his "suspect financial entanglements," his economi-cally destructive policy agenda of tax increases and rent controls, his "pernicious alliances" with the city's corrupt machine politicians. after a decade of boom time complacency and growing mal-administration, is firm, maybe ruthless, leadership capable of reversing a spiral of financial

Perhaps most alarming of all though, in terms of the city's long term future, was the Post's use of the term "capital of the world" to describe New York. As the election campaign ground on this hombartic ground on, this bombastic phrase seemed to be taken up by candidates and commentators of all parties — a clearer symptom could herdly be imagined of the growing des-peration about the future of New York.

Thatcher urges global responsibility

Peter Riddell reports on the UK Prime Minister's speech to the UN

ULTINATIONAL industry should not he hlamed for the damage which is being done to the environment, Mrs Margaret Thatcher argued yesterday during her eddress to the United Nations General Assemhly on the environment. She said thet, "far from being the villain, it is on them, the multinationals, that we rely to do the research and find the salutions." the solutions."

"The multinationals have to take the long view. There will be no profit or satisfaction for anyone if pollution continues to destroy nur planet." She said that industry was increasingly turning to environmentally safe products. "The market itself acts as a corrective: the new products sell and those which caused environmental damage are disappear-ing from the shelves."

in a wide-ranging 35-minute speech, she argued that as the conventional political dangers, such as the threat of war, appear to be receding, "we've all recently become aware of another insidious danger. It is the prospect of irretrievable damage to the atmosphere, to the oceans, to Earth itself." The prospect of threats to the environment were, she said, "a new factor in human affairs. It is comparable in its implications to the discovery of how to split the atom. Indeed, its results could be even more

far-reaching."
In discussing solutions, Mrs
Thatcher defeoded "the use of nuclear power which - despite the attitude of so-called Greens - is the most eovironmentally safe form of energy." She argued that the problem



Mrs Thatcher's one-day visit to New York caused hardly a stir locally. There was no mention in the local press and the sole attention was from British reporters. Indeed, so absorbed were the British media in catching a glimpse of Mrs Thatcher that tennis star Steffi Graf was able to wander around virtually unnoticed. Brief though the visit was, her presentational gura, Harvey Thomas, was in town to make sure everything worked. He was on the podium testing the special glass autocue just as he does each year at the Conservative Party conference. Everything went smoothly; Mrs. Thatcher gave a lecture-style address then, after a brief. lunch at the New York Times, she flew back to London. She will return to the US in two weeks to see President Bush.

of global climate change could only be tackled at an interna-tional level and needed to involve both sound science and sound economics. In particular, she noted the British role in co-ordinating work on climate

change.

She announced the establishment of a new Centre for the Prediction of Chimate Change "to improve our prophetic

rs Thatcher said new institutions were not needed; instead exist-Meteorological Organisation and the UN's environment programme should be strengthened and improved. She added that the most pressing task was to negotiate a framework convention on eliment above. convention on climate change, a sort of good conduct guide for all nations, which should be ready by the time of the World Conference on Environment and Descriptions. ment and Develoment in 1992, Such a framework should be

In a passing reference to this week's controversy over targets for emissions of carbon dioxide, she said measures must be based on firm scien-

filled out with specific under-takings which must be bind-

must be based on mrm scientific analysis.

Accordingly the UK was proposing to prolong the role of the Intergovernmental Panel of Climate Change after it submits its report next year, to assist in the agreement on targets to reduce the emerchance gets to reduce the greenhouse

Mrs Thatcher also called for a further global convention to conserve plant and animal life. The Prime Minister detailed Britain's contribution in the areas of pollution control, a broad environmental agenda for the decade ahead (covering energy, transport, agriculture and industry), and an increase in research into global environmental problems. She con-cluded hy saying to the assem-bled delegates that "we are the trustees of this planet, charged today with preserving life itself
- preserving life with all its
mystery and all its wonder."

Ortega sets deadline for the Contras By Tim Coone in Managua

NICARAGUAN President Daniel Ortega warned yester-day that if the US-becked Contra rebels refuse to accept their demobilisation by Decemeber 5 a military option will be used to force them out of their Honduran sanctuaries.

A meeting begins today at the United Nations in New York, between the Nicaraguan government and Contra lead-ers with the mediation of UN representatives from the Inter-national Support and Verifica-tion Commission and the Nicaraguan archbishop Monsignor Obando y Bravo.

The Honduran government is sending an observer.

President Ortega called for the meeting after announcing last week the suspension of a 19-month ceasefire against the Contras.

He said that the Contras must adhere to the Central American peace plan which has set the December 5 time limit for their demobilisation.
If not, Mr Ortega said: "if will be up to Nicaragua and the Central American governments to use all the mechanisms and methods available" to remove them from Hondu-

"We shall insist that the out-come of this meeting must be the signing of an agreement for the demobilisation of the Con-

tras," he said.

The Nicaraguan delegation has been instructed to "take the time necessary" to reach such an agreement if there is receptivity on the part of the Contras, he added.

UK NEWS

Nuclear industry Troops on London streets as ambulance dispute continues to be excluded from power sale

its decision to privatise Britain's nuclear power indus-

try.

The decision, taken by a committee of senior ministers, with the reluctant approval of the Prime Minister, will be put to the full Cabinet this morn-

ing for ratification. Mr John Wakeham, the Rnergy Secretary, was last night preparing to make a statement to the House of Commons this afternoon on the assumption that the Cabinet will agree to a change

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which is likely to cause great political embarrassment. The decision results from a near unanimous view from the near unanimous view from the industry and its advisers that National Power, the larger of the two generating companies which will emerge after privatisation, would be unsaleable if it had to carry the financial risks of a nuclear programme.

The Government decided in July to remove the small and ageing Magnox nuclear power stations from its electricity privatisation programme. This was announced by Mr Ceril vatisation programme. This was announced by Mr Cecil Parkinson on the day he was re-shuffled from the energy department to the transport

portfolio.

Partly in deference to the wishes of Mrs Thatcher, it was agreed at that time to leave the newer Advanced Gas-cooled reactors and the planned Pressurised Water Reactors in the

Since then the Central Elec-tricity Generating Board has revealed that the cost of its first PWR at Sizewell, Suffolk is running £170m (10 per cent) over its budget. Estimates of the cost of re-processing fuel from the AGRs have risen so steeply in the last year that some financial advisers have said a prospectus for a company which owned them could

not be written. Mr Wakeham will tell the House that the nuclear assets including the PWR new being built will remain in a state owned national nuclear company, perhaps to be headed by Lord Marshall, the CEGB's chairman and designated chairman of National Power.

said in Whitehall last night to be "extremely difficult has been closely identified with the nuclear industry and a fierce supporter of the PWR programme.

Ona of tha Government's arguments for making its U-turn on the nuclear sale will be that National Power failed to give it accurate information about the costs of existing and planned nuclear stations.

However, in a confidential memorandum to the department of energy last year, Mr John Baker, chief executive of National Power warned that the company might be unsalea-ble unless the Government were prepared to underwrite almost all the financial risks of nuclear power.

Since then the Government has proposed a nuclear levy of has proposed a nuclear levy of perhaps 15 per cent on electricity prices to subsidise the nuclear sector and has agreed to subsides the de-commissioning cost. However, City advisers remained unhappy. Mainly because they do not believe future Governments could be committed to supporting nuclear plant.

nuclear plant.
This week, National Power has been discussing with PowerGen, the smaller generating company which will emerge from the present Central Electricity Generating Board, the possibility of its ceding one or two coef fired power strikes to two coal fired power stations to make the two companies more evenly matched. National Power was to be given 70 per cent of the nation's generating plant so that it would be strong enough to carry the nuclear risk. Without nuclear it will still be more than one an a half time the size of PowerGen, but the justification for such a disparity will have gone.

The two generating compa-nies were also last night believed to be nearing agree-ment on a reduction in coal prices to discourage a surge of imports. British Coal Is believed to be considering a price of about £1.60 pence per gigaioule (a unit of heat) compared with its current price of about £1.80 and the electricity industry's call for £1.30.

TROOPS were on the streets of ambulance dispute since 1982.

London last night as the eight The issue will be discussed in London last night as the eight week long ambulance dispute over a rejected 6.5 per cent pay offer reached stalemate.

Fifty-one ambulances from 40 Army and RAF units were making their way to police stations through the capital and were set to be sent out on calls from 11pm. A further 23 vehicles were being kept in reserve in the south east, the Ministry of Defence said. It is the first time troops have been involved in an

NHS limits

drugs sector

BRITAIN'S role as a world centre for the pharmaceutical industry could be seriously damaged by government proposals to limit rises in the National Health Service's drugs budget, says a study commissioned by Eli Lilly, a leading US drugs group.

The report says that as a

The report says that as a result of these changes Britain's trade balance could

lose up to £700m a year by the end of the 1990s.

it also says some 5,000 jobs could be lost as a result of drugs companies either pulling out of Britain or reducing their

employment.
The medicines industry in

the UK has an annual output

of about £4bn and employs some 60,000 people. Unlike

most other sectors of UK man-ufacturing, the business has a strong trade balance of some

The report, written by the Henley Centre, a consulting company, says there are particular worries in the drugs industry about the effects of the Covernment's policy paper.

the Government's policy paper on healthcare published earlier

this year.

Efforts to place cash limits on the drugs prescribed by general practitioners could, says the document, eat into revenues of large drugs companies and lead these groups to cut back their investment in research and development. The NHS accounts for the lion's

NHS accounts for the lion's share of UK consumption of

now running at about £2.2hn a

this year.

threaten

By Peter Marsh

an emergency three hour debate in the House of Commons today.
It is understood there is con-

cern over the involvement of troops but the MoD said the security implications had been taken into account.

Mr Kenneth Clarke, the Health Secretary, said that he was bitterly disappointed that the troops had been deployed but he had not detected "any lots of change" in the position

of a stewardess who was sacked for allegedly selling free drinks to passengers.

They will meet on Monday to

discuss possible action after hearing that remarks made hy

Mr Peter Owen, BA director of operations, had persuaded Mrs Lynn Hooper to refuse rein-

An industrial trihunal yes-

terday ordered BA to pay the legal costs incurred since Sep-tember 7 by Mrs Hooper and the Transport and General

Workers' Union (TGWU) in

fighting the company's allega-tions and dismissal.

By Raymond Snoddy

Under a settlement reached

THE LABOUR PARTY plans to

seek ways of limiting share-holdings of European Commu-

nity companies in British com-

mercial broadcasting

organisations.
One of the controversial aspects of the Government's new broadcasting hill is that EC companies will be able to

bid for and own Independent Television franchises as long

as they can pass a "quality threshold."

broadcasting spokesman, said yesterday. There is nothing to stop a French water company or a Belgian second-hand car

dealer from bidding for one of

gribole at h

Mr Robin Corbett, Labour's

Plan to curb stakes in TV

By Michael Smith, Industrial correspondent

held by the unions.

The troops joined the Metropolitan Police, St John Ambulance and the Red Cross in

answering accident and emer-gency calls after the suspengion of 2,000 ambulance staff at London's 71 stations. The staff were suspended for refus-Colonel David Whitfield. ing to work normally.

The five unions representing Britain's 22,500 ambulance staff are seeking an 11 per cent pay offer, to give them parity with firefighters. They also want a pay formula, simi-

2516 plus 28.925 compensation. Mr David Griffith-Jones, Mrs

Hooper's counsel, speaking at the tribunal said Mr Owen's

remarks had changed her original decision to accept reinstatement. She planned legal

action against BA for defama

Mr Griffith-Jones said Mr Owen's remarks "would have

been judged as imputing theft to the applicant."

However, Mr Peter Clark for BA, said Mr Owen was mis-quoted in the interviews given

after the deal was struck. Mr Clark said BA had never

accused Mrs Hooper of theft.

the new franchises."
On Tuesday night Mr Cor-

bett was reappointed Labour's

broadcasting spokesman and will lead the party's attack on

the Bill in the next session of

"Providing they pay-roll a team of experienced television

programme-makers to over-

come the so-called 'quality threshold', if they put np

enough cash they will get a franchise," Mr Corbett said.

that a future Labour Govern-

ment would ask a revamped

Monopolies Commission to

look into concentration of own-

Mr Corbett also emphasised

lar to that enjoyed hy the police and fire service, which would trigger automatic par

The London staff stepped up the national overtime ban and ben on non-urgent work with additional work-to-rule restric-

commander of Army medical services, said he was confident the troops could cope with a serious disaster. Royal Artillery bandsmen and staff from the Royal Corps

of Transport and the Womens Army Corps will drive the amhulances, accompanied by medics from the Royal Army Medical Corps and RAF medi-cal technicians. A police offi-cer, with knowledge of the capital's layout, will travel in each vehicle, maintaining direct radio contact via Scotland Yard, the London police

headquarters. The Metropolitan Police have 40 vans and 72 general purpose cars on standby. The vans are equipped with

stretchers and each has a driver and a trained medic on

All emergency requests were going into the London Ambu-lance service control room where doctors on standby were prioritising calls. Calls were then put through to Scotland Yard which allocated them to either the police, the voluntary agencies or the troops.

Elsewhere in the UK, most accident and emergency services were operating normally.

travel is still so much safer

than road transport that avoid-ing accidents offers few finan-

cial savings. BR could also face a large

bill for replacement of around 1,000 Mark One coacbes, the

old fashioned slamming-door

type used in all three trains which collided at Clapham.

The inquiry report instructed BR to complete a

film research programme into the structural integrity of

Mark One coaches by 1991. BR must then reach agreement with the Railway Inspectorate

on changes to any coaches which would still be in use by

BR is slowly phasing out Mark One stock, but plans to have around 250 four-coacb

units still in operation in 1999,

when they would be at least 36 years old, and close to their

natural retirement age. The cost of replacing them earlier

would be £575m at current

ment on Tuesday that money would not be an obstacle to the

BA cabin staff threaten After the Clapham disaster inquiry **Opposition** to take industrial action backs full

EMS entry CABIN STAFF employed by British Airways at Heathrow Airport will next week consider taking industrial action over the company's treatment action.

BA offered a basic award of Stife in the control of the company's treatment.

BA offered a basic award of Stife in the control of By Michael Cassell,

Political Correspondent FULL memhership of the European Monetary System offered the only way of inhibiting uncontrollable international speculation in sterling, Mr Gordon Brown, the Labour spokesman on Trade and

Industry Secretary, told fellow MPs yesterday. Mr Brown, who until last week's reshuffle was a member of the party's Treasury team, was addressing a meeting of the parliamentary party called to discuss the opposition par-ty's support for early entry into the exchange rate mechanism of the EMS.

Mr John Smith, the Labour party's chief economics spokes for the Government to join before the next general elec-tion, says Labour would begin talks on full membership immediately on taking power. But he has declined to say how ong he would expect success

ful negotiations to take.

There has been some criticism within the party about the lack of consultation over Labour's pro-EMS stance and several MPs remain totally opposed to any commitment for full membership.

Mr Brown, who rejected the

arguments of some MPs against membership, said early entry was the only way to pro-tect sterling in what were 24-hour, global money markets. Opponents of the policy said embracing the EMS meant agreeing to eventual monetary union, rejected by Labour at its recent annual conference.

British Rail to face soaring safety costs

BRITISH RAIL'S hill for safety improvements demanded by the public inquiry into the Cla-pham disaster will run into hundreds of millions of pounds, it emerged yesterday.
Sir Robert Reid, BR chairman, met briefly yesterday
with Mr Cecil Parkinson, the Transport Secretary, to discuss the cost of complying with the report, hut no conclusions were reached.

Mr Parkinson has given BR three months to assess the implications of 93 recommen-dations made Sir Anthony Hidden, the barrister and inquiry chairman, which Sir Robert has said will be implemented

The first big cost for BR will be in speeding up Its programme to install an Automatic Train Protection (ATP) system throughout the net-work to prevent trains passing red signals.
After the Clapham accident,

BR announced that it would install ATP on routes covering 80 per cent of passenger miles within 10 years - the inquiry report said BR must meet the

target in five years.
The cost will be around £140m at current prices, or £380m for a system covering all routes used by passenger trains. BR could face difficulties in financing ATP because there is no prospect that it would meet the Government's requirement that investment projects achieve a real rate of return of 8 per cent.

This is because, even after

implementation of any of the Hidden inquiry recommenda-

tions, but he gave no indica-tion of whether the Govern-ment would provide the funds. One possibility is that BR's external finance limit could be raised to allow it to raise the required funds. But this would weaken BR's balance sheet, further complicating the Gov-

ernment's plans to privatise

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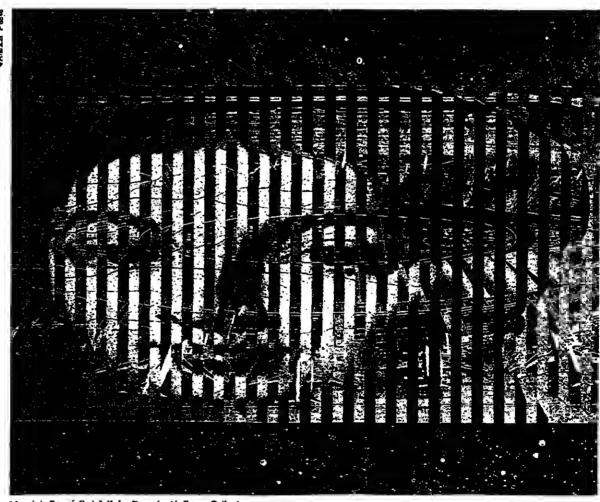


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Ridley rejected plea, says Jaguar chairman

By Kevin Done, Motor Industry Correspondent

SIR John Egan, chairman and the company board. chief executive of Jaguar, revealed vesterday that he had made a last-minute plea to Mr Nicholas Ridley, Secretary of State for Trade and Industry, not to waive the Government's golden share in the company last week.

Mr Ridley refused to accept Sir John's request, bowever. and less than 24 hours later Ford, the US car manufacturer. launched its £1.6bn bid for the UK luxury car maker.

Jaguar shareholders will today receive the official offer document, which has been unanimously recommended by

Amstrad to

make faxes

AMSTRAD, the consumer electroulcs company which has recently lost its reputation

as a high-flyer, is to move manufacture of its new range

of facsimile machines from Hong Kong to Beifast in

Northern Ireland.
The manufacture and assem-

bly of the machines will be carried out at the Monkstown

factory of STC, the UK's sec-

ond largest electronics group. Amstrad's Hong Kong factory

Amstrad hopes the machines, to sell at \$600, will help establish the fax as a

mass-market product in Enrope. STC said it was expecting to make tens of thousands each year. Amstrad's decision is part of

its wider strategy of shifting production from the Far East

to Europe to improve control over operations. Over the past year, the company's financial

performance and reputation in

the City has been hit by a series of blunders, some of which bave been the result of

insufficient control of its sup-

Amstrad originally subcon-

tracted manufacture of its

products to Far Eastern suppli-

ers because it was cheaper

However, it said it would not pay more under its deal with STC than it had been

than making them in Europe.

spending on producing faxes in Hong Kong.

in Belfast

By Hugo Dixon

is to close.

Sir John yesterday gave MPs an account of the events surrounding his phone calls last week with Mr Ridley and expressed disappointment that the company had failed to remain independent.

He described how Jaguar had kept Mr Ridley and top officials in the Department of Trade and Industry (DTI) closely informed through meetings and phone calls during October about the progress of its negotiations with General Motors, the US car manufacturer and Ford's arch rival. He said Jaguar had warned the

By Hugo Dixon

THE BUNDESPOST in West

Germany has been persuaded to drop its opposition to

Britain's new personal commu-nications networks, considera-

bly increasing the chance that the mass-market mobile tele-phone system will eventually

As a sign of its conversion to

As a sign of its conversion to the concept of personal com-munications (PCN), the Bun-despost has agreed to join one of the consortia in the hard-fought contest for licences. It has told United – other mem-

bers of which are STC of the UK, Thorn EMI of the UK and

US West - that it intends to

take a stake of up to 15 per

cent in the group.
Only a few months ago, the

Bundespost, Europe's largest telecommunications operator,

joined France Telecom in

opposing the idea of PCN - it believed there was little need

for the new technology and was worried that Britain was seeking to impose its technical

standards on the rest of

Now Mr Roland Mahler.

head of the Bundespost's

mobile operations, has said:
"We feel PCN is a development
we cannot neglect." He said
West Germany would not need

such a system in 1992, when the UK is planning to intro-duce it, but it might be needed

Mr Mahler also made clear

that the precise technical stan-dards for PCN should he

be adopted across Europe.

Bundespost drops

phone opposition

DTI that Ford was intending to bid for the company.

Mr Ridley was due to appear before a parliamentary committee today to explain why he had decided to waive the golden share without any prior consultation with Jaguar.

Despite blpartisan support for him to appear, a majority of Conservative committee members agreed to a request from Mr Ridley that the invitation be withdrawn.

Mr Ridley, in a letter to Mr Kenneth Warren MP, committee chairman, earlier this week, said thet there was nothing he could "usefully say"

agreed on a European basis. "We would not like an English

development that is put on the

other European countries with-out them having a chance to

participate in the standardisa-

The recruitment of the Bun-

despost would seem to increase

the chance that Unitel will be

granted one of the three licences on offer because the Department of Trada and

industry is keen for the PCN to

be adopted elsewhere in

Separately, Millicom, a spe-cialist US mobile communica-

tions company which is also

vying for a licence, announced that it was seeking to establish

licom's consortium includes British Aerospace, Pacific Tele-sis of the US, Matra of France and Sony of Japan. Millicom has asked the Fed-

eral Communications Commis-sion, which regulates the US industry, to set aside a same

portion of the radio spectrum in the 1.7GHz-2.3GHz range.

The FCC said it would proba-

bly be several months before it could make a decision on Milli-

ing the use of private telecom-

munications networks have come into effect, Mr Nicholas Ridley, the Trade and Industry

Secretary, announced yester

day. The regulations also aim

to prevent nuisance calls from telephone salespeople.

• New regulations liberalis-

com's application.

Europe.

that would "add to or otherwise illuminate" what he had told the House of Commons last week. His appearance before the committee could "risk damaging the environ-ment" in which Jaguar shareholders had to decide on the

Ford bid, he said.

The committee has agreed, however, to call Mr Ridley at a later date to explain the Government's policy on golden shares in privatised companies. Mr Doug Hendarson, Labour's shadow trade minis-

ter, yesterday challenged Mr Ridley to explain why he had ignored Sir John's request.

"Does he now admit that this failure to retain the golden share completely undermined the bargaining position of the Jaguar board in their negotiations with General Motors, Ford and other bidders?" According to the offer docu-

ment, Jaguar shareholders will be called to an extraordinary meeting on December 1 to vote on a special resolution to change Jaguar's articles of association. This move, which requires a 75 per cent vote in favour, will remove the present restriction limiting individual shareholders to a stake of no more than 15 per cent.

Building society offers merger bonus

ABOUT 80,000 building society investors are to receive cash handouts averaging £520 under merger plans announced yes-terday by Cheltenham & Gloucester, the eighth largest UK building society, and Gnardian, the 19th ranking society.

The merger, which must be approved by members of both building societies is the first in which members of a smaller society have been offered cash payment from the reserves of their own society in return for their consent. Building societ-ies, which specialise in home loans and savings, are mutual organisations owned by their depositors.

The payment will cost £54m, about 40 per cent of Guardian's

The deal sets a precedent for the industry which future mergers may find impossible to avoid, especially when a small society is absorbed by a larger one. Many small societies have reserves far above the levels legally required. These could now be vulnerable to approaches from larger societ-ies, wooing members by offer-ing to distribute part of their

Mr Andrew Longhurst. C& G's managing director, said yesterday that Guardian, the only society in the top 20 without a branch network, would become a separate divi-sion of C&G, developing and marketing postal investment

operations and centralised mortgage lending under the Guardian brand name. Tha acquisition will strengthen C & G's capital base and give it total assets of £7.3bn, making it the seventh largest society with 1.2m mem-

Mr Longhurst said that the cash distributions were being made to harmonise the entitlement of members of the smaller societies, with their higher reserve ratios, to those of C & G after the merger. Members of Guardian will

get a bonus of 4 per cent of their balances. Borrowers, who are legally debarred from a cash handout, get a discount of 0.5 per cent on their mortgage interest rate for one year. Savers with Bedford, a small

Savers with Bedford, a small building society the merger of which with C&G was announced in August, will receive S per cent of their balances. This is also about 40 per cent of the society's reserves. It was widely assumed in the building society industry were. building society industry yes-terday that the real purpose of the handouts is to match the incentives which would be offered to members of the societies if they had been taken over by a bank or insurer. Mr Longhurst said yesterday

that the merger redoced pres-sure on the society to shed mutual status, but that he would reconsider the option if C & G found itself unabla to meet its market objectives.

Free market 'favours London' as world financial centre

BANK OF ENGLAND QUARTERLY BULLETIN

By David Barchard

LONDON handles about a fifth of the world's international banking business; has a turn-over in foreign equities one and a half times that of New York and 10 times that of Tokyo; and it is probably home to three-quarters of the dollar Eurobond secondary market.

These are among the facts to emerge from a study of London as a financial centre, prepared by the Bank of England's international Division and published today in the Bank's Quarterly Bulletin.

The report says a wide range of factors favour London as a of factors favour London as a financial centre, ranging from its pool of trained labour and relatively free access to mar-kets which are not heavily reg-ulated, to more general fea-tures such as political stability, the legal structure and the English language.

Financial factors favouring London include declining lev-els of taxation, sophisticated financial instruments - such as the ability to issue bearer Eurobonds that pay interest gross – and the absence of

"In such an environment business can grow in a self-sus-taining manner," the bulletin

But it warms that London faces growing competition with progressive deregulation and changes of rules elsewhere. Japan, Switzerland, France, Luxembourg and West Ger-many all look set to mount a challenge in some areas.

However, freet cross-border trade and capital flows should offer opportunities to the United Kingdom. London is already one of the lowest-cost suppliers of a wide range of financial services.

On securities, the Bank warns: "Orderly removal of excess capacity should be seen as a normal component of London's evolution."

Financial services are growmg much more quickly than the rest of the economy - between 1985 and 1988 the sector grew by 59 per cent in nominal terms against only 24 per cent for the rest of the economy. Employment in the sector has risen by over 900,000 since

1981 and it is making a growing contribution to the balance of payments.

The number of foreign banks in London is up from about 330 in 1975 to 521 at the end of February 1989. London has the fourth-largest domestic equity market by

capitalisation in the world and only the National Association of Securities Dealers Auto-mated Quotations (Nasdaq). the US over-the-counter share market, has more companies

Turnover in foreign equities in London at £40bn is nearly half the measured global for eign equity turnover. The UK's share of world domestic equity turnover, however, is a mere 5 per cent, reflecting the relatively small size of the British

London remains the largest market for foreign exchange although New York and Tokyo appear to be catching up.

London's share of the futures and options markets is still small at 7.5 per cent of the world total in the first half of 1989, but it has doubled since

In fund management, UK institutional investors had assets totalling £450bn. A substantial proportion came from other European countries and the European specialist sectors of major US and Japanese funds. In 1988, US pension fund foreign assets totalling £16bn were managed here – up from

Company profits growth slows

By Simon Holberton, Economics Staff

THE GROWTH in UK company profits seen during the 1980s may be coming to an end, the

Bank suggests. In an article on the profitability of large UK companies, the Bank said that provisional figures indicated that the average rate of return on capital employed in the non-oil and gas sector in 1988, at 19.8 per

These findings suggest that 1988 may mark the end of the cyclical upswing in profitability which hegan in 1981/82, when the return on capital employed in the non-oil and

cent, was much the same as in

gas sectors was 14 per cent,"
the Bank says.
The average rate of return
on capital employed in the oil
and gas sector fell to 14.6 per
cent in 1988 from 16.1 per cent

in 1987. The Bank said this in 1987. The Bank sam this reflected the continuing weakness in oil prices and disruptions to North Sea output.

In the capital goods sector every group showed an improvement in profitability

last year with the exception of the metals and metal-forming industries. The Bank attri-buted the strength of capital goods profitability (20.3 per cent in 1988 against 19.1 per cent in 1987) to a strong rise in

industrial investment.
On average, the profitability
of the consumer goods industries declined last year to 18,6 per cent from 9,6 per cent in 1987. Within that, however, the rate of return on capital employed in the household goods sector, which includes pharmaceuticals, rose 1.9 percentage points to 32.6 per cent,

higher than in any year strice

The leisure sector and the textiles sector showed large falls in profitability. A 2.2 percentage point fall in the leisure sector's profitability to 12.9 per cent appeared to reflect off-shora takeovar activity and

revaluation of fixed assets In the textiles sector, the return on capital fell to 19.2 per cent from from 22.7 per cent in 1987. This marked fall in profitability reflected acquisitions activity and a decline in competitiveness dne to the

strength of the pound. The Bank's estimates were derived from a sample of 1,105

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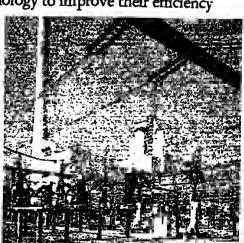
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UK NEWS

Congestion 'will | Rover group steers a clear drive for ethnic workers force company moves to France'

By Kevin Brown, Transport Correspondent

CONGESTION is likely to force many UK companies to move to France in the next decade unless transport spending is increased by up to £3bn a year

the Confederation of British Industry said yesterday. A report by the employers' organisation, Trade Routes to the Future, says a big investment programme is essential to overcome congestion and provide adequate links with the rest of the European Community after the advent of the single market in 1992.

The report will increase pressure on the Government to proceed with a number of road and rail schemes under consideration, notably in London.

Mr John Major, the Chancel-lor of the Exchequer, is expec-ted to approve some of the projects in the next week's Autumn Statement on the Gov-

ernment's spending plans. The CBI says Britain's transport system is hopelessly inadequate and will seriously disadvantage UK-based companies after 1992, when they will be attempting to compete from the periphery of the European

It calls for radical changes in

Government machinery for providing transport infrastruc-ture, and in the "arthritic" planning system which "can result in a small number of determined individuals delaying schemes for years, if not

Tha fragmented approach to infrastructure projects involves 10 Government departments and 128 highway authorities, as well as British Rail, the Civil Aviation Authority, London Regional Transport and BAA, formerly the British Atments Avitabrity the British Airports Anthority,

tha report says.
It adds: "The solution must lie in clear assignment of lead responsibility to the Department of Transport, whose Secretary of State should be answerable to parliament for developing a national strategic infrastructure programme for

the UK as a whole.

The role of the Transport
Department would be similar to the strategic roles played by tha Transport Ministries in France, West Germany and The Netherlands.

Trade Routes to the Future; CBI, 103 New Oxford Street; £10 members, £30 non-members.

Michael Smith, in the second of two articles on ethic recruitment, looks at a Midlands success story

r Abdulla Maflihi was unable to detect any overt racism when he trailed around the West Midlands 18 months ago looking for a place on the Govern-ment's Youth Training

However, he is certain that the difficulties he experienced in finding a placement were prompted by prejudice.
*Employers seemed inter-

ested during interviews and they were certainly not hos-tile," says Mr Maflihi, a 17-year-old whose father comes from the Yemen. "But then they'd turn you down... they always went for the white

Mr Maflihi's search for a mr Mainin's search for a traineeship ended when he was interviewed by tha Rover Group. "There they were very helpful. They made you relax and they seemed to want to know who you were... and they gave me a place."

Rover's receptiveness was no accident. It resulted from the carmaker's decision threa years ago to cast its recruit-ment net wider to raise the number of trainees from ethnic minority backgrounds. The initiative has paid off hand-

somely. In 1986 about 9 per cent of the 600 trainees the company took on to its graduate, apprentice and YTS schemes were

reached 22 per cent and the improved recruitment policies resulting from the initiative meant that the number of applicants for the company's traineeships from all background rose for the first time in three years.

Rover's record reflects in part its involvement with a group of 10 companies, all of which are committed to employing a greater proportion of workers from ethnic minorities. Since the Ten Company Group got together, members have on average increased the proportion of hlacks in their annual intake of trainees to more than 10 per cent from 4

As employers all around the UK are looking for alternatives to their traditional recruitment sources, the snccess of the group – and that of others which have been set up subsequently – is attracting growing attention.

per cent

Company Group was, however, prompted long before personnel officers began to revise their policies before demographic trends which are resulting in a dearth of school. resulting in a dearth of school-

In Rover's case, the roots of its recruitment revolution lay in a review of its equal opportunities policies in 1985. Like most companies

the ethnic minority content of its workforce and so had no means of knowing whether it. was discriminating, however unconsciously, against nonwhites in its recruitment policies. When the statistics were compiled, two years later, they

were revealing.
Just under 9 per cent of the
workers were black and at the
Birmingham Drews Lane plant, in the heart of an ethnic minority conurbation, the proportion was just 6 per cent. In Birmingham as a whole about 15 per cent of the population is

Part of the problem was that Rover had virtually stopped recruiting more than a decade previously. Since then the propreviously. Since then the pro-portion of black people in the population had grown consid-erably. None the less, uninten-tional discrimination was continuing, the proportion of black people among Rover's annual trainee intake was also 9 per cent, even though 20 per cent of West Midlands school-leavers were black.

Mr Jim Wilder, Rover's administration manager, per-sonnel, says the company's participation in the Ten Com pany Group has been vital in the subsequent improvement. Senior managers of The Ten, which includes J Sainshury, the national food retail chain, Bromwich Catering, TSB Bank, the general banking group, and Lucas Industries, the automotive electrics company, have met regularly over the last two years to identify good practices and pass on

their experiences It was after talks with the group that Rover realised that its reception of traineeship applicants was turning black applicants was turning black people away. Previously the company had responded to applicants hy sending them detailed – and, says Mr "turgid" – hrochures. If Rover liked the look of the completed application form it would applicate the application of the second second forms and the second forms are second forms. approach the applicant's school to check the details.

"A hell of a lot of people fell out," says Mr Wilder. "When we told Sainsburys and the Co-op about our methods, they

be problem with Rover's approach was thet it assumed a confidence on the part of applicants both in themselves and in their schools. Rover now believes that black people tend to be less confident than whites. Many have had a less privi-leged education and some have problems with the English language. But that does not neces-sarily make them less employ-

Nowadays when teenagers approach Rover for traineeships, the company invites them in for a chat and asks them to fill in application forms which are considerably less complex than a few years

The experience of Mr Zamir Ahmed, a 17-year-old taken on as a clericai trainee a year ago, is typical: "They gave you a chance to put over your thoughts, to say what you wanted from the work. Other companies always seemed to want to tell you what they wanted from you. " Talks within the Ten Com-

pany Group were also influen-tial in persuading Rover to drop its insistence on applicants meeting specified academic standards. If you were not in the top such and such per cent in mathematics we would not take you on as a an apprentice technician," says Mr Wilder. "Some of the other companies were asking why." One result is that Rover now

takes more than 30 YTS trainees a year and puts them on the same first year course as craft apprentices, even though they do not have the required qualifications. Those who keep up - normally about half can transfer.

Rover's consultations with the other nine companies was accompanied by an increase in dialogue both with the commu-nities where most of its facto-ries are situated and with company employees. Whereas previously the company's factories had distributed litera-

ture about the company to schools in the immediate vicinity, they now forge links with schools all over the cities

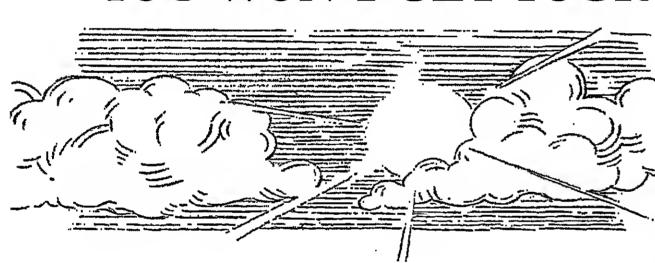
where they are located. The significance of this is that most of the company's factories are located away from areas with large ethnic minor ity populations. In addition the company has encouraged its black trainees to give talks to prospective applicants in tres. Recruitment advertisements have been taken out in publications such as the Voice and the Caribbean Times which are aimed at hlack read-

mong existing workers A Rover has concentrated on consuring that everyone is aware of its equal oppor-tunities policy and that manag-ers, supervisors and union leaders are kept in touch with latest recruitment develop-

The company circulates detailed statistics on numbers of people who apply, are interviewed and given places, with each category broken down into racial and sexual groups.

Monitoring has been essential to the success, the company of the com pany believes. "It means we know what is happening at every stage of the process and that we have results we can show to ourselves and to the community," says Mr Wilder.

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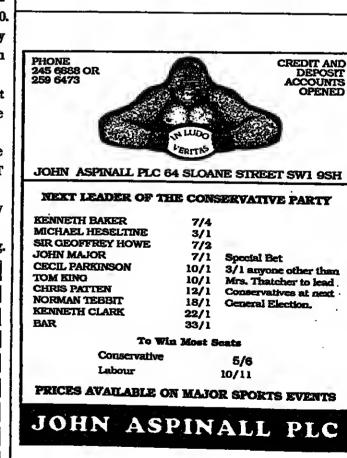
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BUSINESS LAW

New French rules covering tender offers

By William Lee

n July 1 1989 the French legislature adopted a new law on the Security and Transparency of Financial Markets. The new law strengthens the investigative powers of the Commission des Opérations de Bourse (COB), the French equivalent of the US Securities

equivalent of the US Securities and Exchange Commission, and prescribes new rules governing tender offers.

In addition, the French Ministry of the Economy amended the Stock Exchange Regulations and COB Regulations on September 28 1989 to, among other things, require that once a shareholder acquires more than 33.33 per cent of the voting shares of a company, it must increase its shareholding to at least 66.66 per cent of the voting shares pursuant to a voting shares pursuant to a tender offer. There are a num-ber of exceptions to this rule.

Under the new law on the security and transparency of financial markets, the COB's investigators will be empowered, with the authorisation of a judge, to search premises, seize documents and sequester funds, securities or other

minds, securities or other intangibles.

The COB will be able to require funds to be placed in an escrow account and it will be able to investigate at the request of certain foreign public authorities, and communicate the results of its investigations to such anthorities.

tions to such authorities.

The law also strengthens the enforcement powers of the COB. It will have the authority to levy fines of up to FFrion. (\$1.6m, £1m) or 10 times the profit realised, whichever is greater, provided, however, that the aggregate amount of fines levied by the COB and by the courts, in the event of judicial proceedings, does not exceed FFr10m or 10 times the profit realised. The COB will have power to order that activ-ities in violation of its rules

The Commission's governing body will expand from five to nine members. Eight of the board members will be nomi nated by various governmental and indicial bodies and the stock exchanges for a four-year term, renewable once. Only the chairman will he appointed

chairman will he appointed directly by the government for a six-year, non-renewable term. The rules governing tender offers make a number of changes to the disclosure of share ownership thresholds. Under existing law, any person with shareholdings exceeding or falling below the following per centage thresholds: 5, 10, 20, 38.38, or 50, must disclose holdings to the issuer within 15 holdings to the issuer within 15

days.

If the issuer is listed on a stock exchange, disclosure must also be made to the stock exchange authority, the Con-seil des Bourses de Valeurs

(CBV), within five days. Under the new law, these disclosure requirements will only apply to issuers listed on a stock exchange. The new law also requires the disclosure of

shareholdings exceeding or falling below 66.55 per cent. The new rule changes prior law by requiring that voting rights (including double voting rights) he taken into account in calculating the statutory

Shareholders who fail to make the required disclosure will lose their voting rights for a two-year period which will start only once the required disclosure has been made (the prior suspension period was three months). Voting rights inay also be suspended in whole of in part for up to five years by the Tribunal de Commerce (Commercial Court).

Under existing law, the by-

laws of a company may require that any person with share-holdings exceeding a certain threshold (as low as 0.5 per cent) must disclose such shareholding to the company. The

new law provides that the hy-laws of the company can require that voting rights be taken into account in calculating the thresholds.

The new law also provides that a target company may increase its share capital during the course of a tender offer, provided that:

(1) such increase has been expressly approved at a share-holders' meeting before the tender offer was launched, (ii) the board's approval to effect such capital increase may not be valid for more than one year and one year and (iii) the decision to increase

the share capital may not be made in favour of designated

ers' meetings following a ten-der offer are normally called by the Board of Directors. The new law permits shareholders who have acquired control of the company following a ten-der offer, to call a meeting of shareholders in the event that the Board refuses to do so. Under the existing law, the right to vote shares of a company that are held by companies directly or indirectly

under the control of such con pany cannot be exercised for the portion of such shares in excess of 10 per cent of the capital of the company. From July 1 1991, the new law can-cels the voting rights for any and all shares of a company that are held hy companies

under its control. The new law also provides that a chief executive officer of a company who learns of the launching of a tender offer or exchange offer must inform the

company's employee represen-tatives (comité d'entreprise).

The changes to the Stock Exchange Regulations require any bidder who launches an Offre Public d'Achat (OPA) or Offre Public d'Echange (OPE) on a listed company to bid for

company's voting shares: shares that the hidder holds prior to the OPA/OPE are taken into account in the calculation of the 66.66 per cent

threshold. The regulations of the CBV require any shareholder (including shareholders acting in concert) who, following an acquisition of voting shares. comes to hold more than 33.33 per cent of a company's voting shares, to launch a tender offer to increase its shareholding of such company's voting shares to at least 66.66 per cent, failing which such shareholder will lose its voting rights in excess of such percentage.

in the event that a person acquires control of a company the main assets of which are shares representing more than 33.33 per cent of a listed company's voting shares, such a person will he required to launch a tender offer to increase its shareholding to at least 66.66 per cent of such listed company's voting shares, as described above.

Shareholders who already hold between a third and a half of the target company's voting shares may acquire less than 2 per cent over a 12 month period without complying with the new rule, except if they hold more than 50 per cent of the company's voting shares as

a result.

There are exemptions to the role. The CBV may declare an acquiror exempt if: (i) the voting shares are acquired through a merger and the holders of such voting shares have approved such a

merger; or (ii) the shares in excess of the 33.33 per cent threshold do not exceed 3 per cent and the acquiror thereof pledges to resell such shares within 18 months following the acquisi-

(iii) the crossing of the 33.33 per cent threshold results from a reduction of the total number

of outstanding voting shares

(iv) the acquiror already controlled the company prior to crossing the 33.33 per cent threshold; or

(v) the company is already under the control of a third party or parties acting in con-

cert: or (vi) voting shares are trans-ferred within a group which already controls the company and such transfer does not substantially modify the holdings of such shares within the

group; or
(vii) the acquiror acquires a
controlling block of shares
through the procedure of garantie de cours (i.e., undertakes
to acquire all shares tendered during a 15-day period at the price of acquisition of the controlling block). The amendment also permits the delisting of the target company (OPA de retrait) through a simplified procedure and enables minority shareholders to cash out their shares under the following circumstances:

(i) Tender offers ordered by the CBV at the request of a minority shareholder or group of shareholders when 95 per cent of the voting shares of the company are held by another shareholder or group of share-holders acting in concert; (ii) Tender offers launched by

a shareholder holding at least 95 per cent of the voting shares of the company to be delisted; (iii) Transformation of the target company into a société en commandite par actions; or (iv) Tender offers ordered by the CBV in the event of a material change in the articles of incorporation, or activities of the target company, or the conthe target company may be transferred, or suppression of dividends during several fisca

The author is the managin partner of the Paris office of US lawyers Shearman & Sterling.

November 9, 1989

This announcement appears as a matter of record only.

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Deutsche Bank AG in connection with its listing on the Tokyo Stock Exchange

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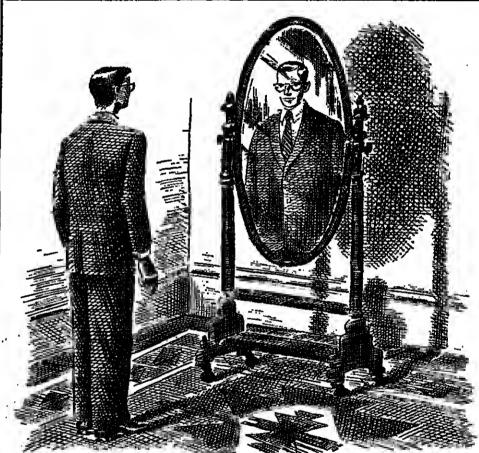
Taiheiyo Securities Co., Ltd. Tokyo Securities Co., Ltd.

Kokusai Securities Co., Ltd. Universal Securities Co., Ltd. The Izumi Securities Co., Ltd. Okasan Securities Co., Ltd.

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The Financial Times proposes to publish a Survey on the above on

19th December 1989

For a full editorial synopsis and advertisement details, please contact:

Patricia Surridge

on 01-873 3426

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Source: IDC Survey, Financial Times 29.09.89

Giving fashion an extended life-span

Andrew Bolger on the big UK leisure groups' use of 'branded catering'

bearded artist spins out two cappuccinos for a couple of hours, enjoying the free newspapers and relaxed atmos-phere of a fashionable café/bar in Hampstead. Can such a lin-gering low-spender be playing a part in one of the British catering industry's higgest success stories?

The answer lies in jargon terms such as "theme hars," "concept restanrants" and "hranded catering," which have been a persistent feature of recent financial results from some of the UK's biggest

leisure groups.

Britain's eating-out market has grown hy more than 10 per cent every year for the past 10 years and is now worth nearly £13bn a year. But because of the even more rapid growth of fast-food outlets, the amount spent hy an individual each time be or she eats out has actually fallen in real terms.

Rising rents and interest rates, combined with a con-sumer spending downturn, mean that catering has recently not been an easy sec-tor in which to make mooey, as witnessed by the steady stream of restaurants heing put up for sale.

The hig groups are responding to these pressures hy focus-ing on their most successful outlets; they are trying to iden-tify the reasons for that success and apply them to other venues in a uniform manner while retaining the distinctive atmosphere of each type of res-

It is in this unlikely context that our slow-spending bohemian comes in, according to Darrell Stocks, managing direc-tor of the licensed leisure divi-sion of Trusthouse Forte, the large UK hotel and restaurants group, which owns Dome, a chain of European-style cafe/ bars found mainly in the more fashionable areas of London. Started by an individual cotrenreneur in the early 1980s, the Dome concept was bought by the Imperial Group, and in 1986 THF acquired what had hy then become a chain of four

Stocks says: "At the Dôme in Hampstead creative types – or at least people who look like artists or writers – will sit for a couple of hours, reading the newspapers and hnying only the occasional coffee. We don't mind, hecause it draws in other customers who think that if people like that go there, it is the place to be."
Elusive considerations such

as fashion, style and amhience loom large in any discussion of theme restaurants. Just how palpahle in cash terms the attractions of such a venue can the remarkable turnabout exe-chairman and chief executive of Mecca Leisure.

During the company's £750m takeover battle last year for Pleasurama, Gnthrie identified its Hard Rock Cafe chain as a possible candidate for early disposal. When it opened at Hyde Park Corner in London, in 1971, the Hard Rock Café's combination of American hur-ger bar and pop memorabilia proved irresistible – particularly to young Americans visiting Loodon. Three months after the opening, Newsweek ran a story asking "When will the queues stop?"

Guthrie admits that it was only when Mecca took over

that he realised what a gold-mine the cafe was. None of the major leisure groups will discuss profit margins on particular sites. However, some indi-cation of Hard Rock's potential may be gauged from the fact that the cheapest burger costs £4.25. A rum cocktail called American Werewolf in London nips in at £3.50 and the bartender's most expensive special, Hard Rock Hurricane, costs a breathtaking £9.50.



The Dôme calé bar in Hampstead: Intended to be "the place to be"

Far from selling it, Mecca quickly decided to enlarge the cafe. Says Guthrie: "Even after nearly donbling the capacity in June, we still have queues outside. Practically every young American visiting London has the café on their list of things to visit. You can't huy that sort of pulling power.

The lure of such rewards has recently attracted a whole range of entrepreneurs into theme restaurants, offering everything from Spanish tapas with Flamenco singing and dancing, to Mexican food, com-plete with music and staff in

The fickleness of fashion means that such flamboyant ontlets have little attraction for the big catering groups, according to John McDermott, marketing director of Mecca Leisure's catering and character hotels. "At that eod of the market, you have to spend a lot on decor and then be prepared to change it every couple

of years," he remarks.

Instead the hig groups are
developing "brand" outlets –
restaurants and calé/bars with distinctive identities and services, hut which are suffi-clently uniform that they can be replicated eisewhere. Mecca Leisure's chosen route

into this market has been to

develop a chain of restaurants

named after Sweeney Todd, the demon barber of Fleet Street whose customers had a tendency to end up in meat pies. Having started with four Sweeney Todd outlets in March 1988. Mecca Leisure now has a chain of 20 and is on the lookont for more sites. Fortunately meat pies do not figure on the menn but practically everything else which appeals to the fast-food generation does -

hurgers, pizzas, spare ribs, dips and salads. The restaurants are not par-

ticularly cheap — cocktails average £3, and one can even drink Moet et Chandon champagne at £17.50 a bottle. On the other hand, customers can easily eat and have a drink for less than £10 each. The restaurants aim to be

cheerful and, above all, non-intimidating. The jokey menu carefully explains the contents of each dish and is very clearly priced, with no hidden extras. McDermott explains: "We do extensive market research to ensure that our menn is easily understood and that people will be able to work out in

advance how much the meal will cost them." For whatever reason, the Sweeny Todd recipe seems to be working. "We have a restau-rant at London Bridge which is always filled with secretaries and junior office staff." says McDermott. "The City is full of places at which senior manag-ers can eat expensive meals on expense accounts, but people forget that for every senior executive there are 20 other

a night out." The first four Sweeny Todds were in Canterhury, Oxford, Cambridge and Bath, Apart from sites in and around London, Mecca Leisure has concen trated on similar university/ county towns in the south and

members of staff who also like

south-east of England.
Although keen to expand the chain, McDermott is not unhappy with its current geo-graphical spread. He says: "Some people have a thing about being national – that only makes sense with national TV advertising, which we do not see as appropriate.

LEGAL NOTICES

Notice is hereby given to Shareho

that a

GENERAL MEETING
of Shareholders in WAROLEY
GLOBAL SELECTION will be held at
the Company's registered office at 7, rae
du Marche-sun-Herbe, L-1728 Luxemboots, on Friday 24th Nevember, 1989
at 11.00 a.m. for the purpose of considering the ordinary business of the
Company and voting upon the following

WARDLEY GLOBAL SELECTION

THF certainly agrees that television is not the most appropriate way of promotiog its Dome chain of cafe/bars – which, hecanse of their puh licences, allow customers to have just a drink if they do not want a meal. THF goes for a more "suhliminal" approach, encouraging art directors to use its vennes as places in which to film advertisements and take fashion photographs. Ideally, all Dome customers should feel they have "discov-ered" the place for themselves.

To that end, the THF connection is carefully concealed. The company rightly suspects that its trendy customers in Islington and Covent Garden might be less than thrilled to discover that their sophisticated local is owned by the chain which has given Britain the Little Chef and Happy Eater roadside restaurant chains.

THF acquired its first four Dômes in 1986 and now has 10, mainly in and around London, although hoth Bristol and Oxford have one. It plans to open another five in the next few months and is actively looking for new sites. Stocks says that the Dôme formula had in six months donbled turnover from four restaurants which THF gained in its acqui-sition of the Kennedy Brookes hotel and restaurant chain last

Stocks believes that Britain could eventually support as many as 100 Dôme outlets, if the hrand is given sufficient backing by the THF hoard, although he stresses that sites are all important, "We have a Dôme in Windsor, but we would not put one in Slough high street, which is only a few miles away. You must not dilute the image."

A video a day keeps the doctor's screen on play

Philip Rawstorne on opportunities for medical advertisers

fter BBC2 closes its public broadcasting each night, a signal from its transmitters triggers video recorders in the homes of some 4,500 doctors throughout the UK, and tunes them into the

While the doctors sleep, the videos are "loaded" with a programme of medical news and features - information about new drugs, the latest clinical techniques, np-to-date research. Pictures and sound are encoded to ensure that any sensitive medical information remains confidential.

Another signal from the transmitter rewinds the tapes when the "narrowcast" is over and switches off the recorders, leaving them ready for the doc-tors to view at their conve-

A flashing red light on the equipment which unscrambles the encrypted transmissions alerts doctors to any urgent messages, for example, from the Department of Health about an outbreak of food poi-

soning or an epidemic.
This is British Medical Television (BMTV) which claims to be the world's first direct television subscription service and which promises to become an important advertising

Its three major shareholders are Longman Group, the pub-lisher and part of the Pearson Group, owner of the Financial Times; BBHQ, the investment arm of Baring Brothers, the merchant bank; and the BBC

BMTV is now running a £500,000 direct response advertising campaign through MSW and Newbury Marketing to increase the number of its £90a-year subscribers among the UK's 30,700 general practitio-

The recruitment campaign using advertisements and inserts in medical journals – is focusing on the doctor's need for rapid up-to-date information. The advertising points ont that earlier this year, BMTV broadcast a warning from Scottish doctors on the dangers of listeria to pregnant women six days before the Government issued its own

The campaign is being strongly supported by the Royal College of General Prac-titioners and the Royal Society of Medicine which welcome direct television as an "excep-tional opportunity" to communicate with their members.

The medical establishment is

co-operating in the production of some BMTV programmes – excerpts from RSM seminars and lectures, and educational courses from the RCGP - and in regulating the standards of output generally under a strict code of practice.

Duncan McAusland, BMTV's

marketing director, expects half of the UK's doctors to he subscribing to the service hy the end of the year. Once that "critical mass" has heen achieved, he believes, BMTV will attract the advertising rev-enue it needs to become a profitable operation.

Kevin Bell, account director at MSW, says: "At the moment, doctors as a group are deluged with advertising and sales promotion of all kinds. One of the major problems for an adver-tiser is to find some way of standing out from the crewd; of attracting the doctor's attention to what he has to say.

BMTV not only offers advertisers opportunities for sponsorship, inserting information in natapages and for commercials, it also offers them the undivided attention of doctors.

Research among its present audience suggests, according to BMTV, that 96 per cent of doctors watch at least three programmes a week and 72 per cent watch every day; 76 per cent prefer it to reading medical journals, and 68 per cent think it more valuable.

Doctors are generally not the most avid of television viewers; McAusland is confident that such ratings will prove increasingly attractive not only to advertisers of pharmaceuticals and healthcare products but to a range of consumer manufac-inrers and professional and

financial services.

The BBC believes this commercial use of hroadcast "downtime" could prove to be a welcome source of considerable additional revenue for the corporation.

BBC Enterprises plans to launch a financial and business service on similar lines early next year, and is looking at other possible subscription programmes for both specialist and general audiences.

"We are convinced it is going to be an important new market area," says John Keeble, the director of husiness administration.

Solo sport for "greys"

SOLO sporting activities will increasingly be the name of the game in the 1990s with leisureseekers forsaking participation

in team sports, suggests a new marketing report.*

Mintel, the market analyst, believes that this shift away from competitive sports is the result of the demographic trend towards an ageing popu-lation. They are the ones who will have most leisure time in the pext decade

Sports such as swimming.

keep fit, tennis and walking -where the emphasis is less on speed and agility and more on stamina and fitness - will be more popular, suggests Siob-han Doran, the author of the report on the £2bn a year sports equipment market.

But paradoxically Mintel also sees some competitive sports doing well, especially with the "grey" consumer. Bowls, for example, is a growth sport, especially with the development of indoor bowling centres; golf is the largest individual sporting equipment sec-tor (with annual sales last year of £174m) and is set to achieve

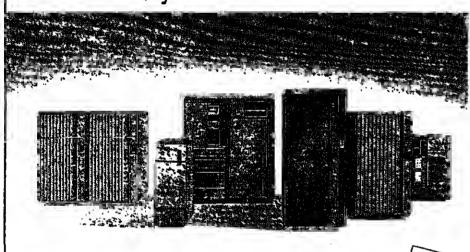
steady rather than spectacular growth in the 1990s.

Mintel warns sports equipment marketers that their marketing strategies will have to he adjusted to the forecast decline in the youth market. Sports clothing and footwear companies will especially suf-fer, it points out, since part of their market at present comes from the fashion among the young to wear sports clothes for non-sporting leisure.

*Sports Equipment, Mintel, 18-19 Long Lane, London ECI.

David Churchill

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The Shareholders are advised quorum is required for the item agrada of the General Menting decisions will be taken on a majority of the shares present a sented at the meeting.

Banque internationale a Luxe 2, boulevard Royal L-2931 LUXEMBOURG

la order to attend the meeting of 24th November 1989, the awners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with

By Order of the Board of Directors 3rd November 1989

NOTICE OF APPOINTMENT OF **JOINT ADMINISTRATIVE** RECEIVERS

We, C W Nield and R E C Cook, of Abacu TROOMERS OF WHITTLE INTERNATIONAL PRESENT LIMITED

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Trimmed down portions of genius

Scorsese, Francis Coppola, Woody Allen New York Stories attempts to plant the kiss of life on the anthology film: that once-fashionable form (see Boccaccio 10, Rogo-pag, Paris Vu Par) in which three or four different directors offer us trimmed-down portions of their genius.

The multi-story form has never quite caught on, probably because the only invariable in these episode films is the variable quality of the episodes. One story tends to be very good; another quite good; the third a wash-out.

New York Stories conforms

to the pattern. But at least its best is brilliant. Martin Scor-sese's "Life Lessons," scripted by Richard Price, is the show-sealer: a portrait of the artist (Nick Nolte) as ageing hell-raiser. Nolte pounds his New York attic studio like a paint-spattered heast while his live-in Beauty — pretty, sylph-slim assistant Rosanna Arquette — taunts him with her dresms of account and of her dreams of escape and of her own fulfilment as an artist. The 45-minute tale whisks itself off to the odd party and discotheque, but its dramatic heart, audibly pumping, is in the artist's attic. Here Nolte assaults his Abstract Expressionist canvases; here all-sorts music (rock, Puccini) pounds away on a ghetto-blaster; here the bedroom is a sanctum for interludes of unrequited love (his) and teasing bids for emo-

tional liberty (hers).

The movie is a variant on the ancestral collision between irresistible force and immovable object. Nolte, bearded, growling, Neanderthal, is both glorified and crucified by his own tyrannical compulsions, amaiory and creative. Art, he insists to Arquette, "is not about talent but about 'no choice hut to do it." Meanwhile Arquette has the brittle, brutal playfulness of the

It could have been a stagy chamber-drama: it becomes in Scorsese'e hands pure cinema. His flair for giving unlikely subjects a kinetic poetry –
pool-playing (The Color Of
Money), boxing (Ruging Bull)
– triumphs here. Magnified close ups of brush-strokes swirl and whorl across the screen. And slow motion and double exposures turn Nolte's paint-ing sessions into ballets of creative fever. Touching, funny, abrasiva and axplosivaly resolved, this may be Scor-sese's most intensely realised see's most intensely realised film since Truzi Driver.
Coppola's middle story "Life Without Zoe" wins the wooden spoon. Scripted by Mr. C with his 7-year-old-daughter Sofia (is there a legal age limit to nepotism?), this is the fey tale of a

priceless jewel, a poor little rich girl and a whole lot of distinguished actors looking miserable (Talia Shire, Gian-carlo Giannini). The Schere-

zade-like plot melts in the mind, and the sole consolation is Vittorio Storaro's dark, glit-

NEW YORK STORIES Martin Scorsese, Francis Coppola, Woody Allen

GREAT BALLS OF FIRE Jim McBride

PM GONNA GIT YOU SUCKA Keenen Ivory Wayans

> **ROADHOUSE** Rowdy Herrington

ASYA'S HAPPINESS Andrei Konchalovsky

tering, velvet-rich photogra-phy. (This man is fast becom-ing the Velasquez of the movie

Woody Allen, whom we have all been imploring to make a funny film starring himself rather than a series of suicide notes starring other people, has at last, it seems, heard the

"Oedipus Wrecks" is funny "Oedipus Wrecks" is funny
— well, fairly funny — and
stars himself as the motherdominated hero. "You look terrible," "Eat your dessert,"
"Don't get married" screams
the shrill, pudgy, incomparable
Mae Questel as Ma. There is no cure for a Jewish mother except a miracle. And that is what happens: Allen loses her to a magician's sword trick. But having disappeared with-out trace during said trick ~ return to mental health by our hero and the finding of a new fiancee - mother comes back with (in all senses) a ven-

He who laughs first laughs longest. The early husybody-ings of Ma Questel — vetting girlfriends or showing up at her son's office with a friend and loudly pointing out the staff ("That's Bates, the one with the mistress") — show Allen at his best, both as direc-tor and (praise be) as actor. Part born-rimmed punchbag, part incredulous witness to behavioural disaster, this is the tragicomic hero of Annie Hall and Zelig rather than the Bergmanesque attitudiniser who mada September and

Some 1ster comic timing Some later comic timing goes awry, and the pay-off could be stronger. But at least one bears oneself regularly laughing. The only sound in other Allen movies of late has been stony silence punctuated with the odd despairing snore.

You can't wiggle around behind a piano!" someone tells
Jerry Lee Lewls (Dennis
Quaid) in Great Balls Of Fire.
But soon the rock 'n' roll hero has hegun to make millions doing just that. If Liberace is (or was) the Barbara Cartland of pianism, Lewis was (or still of pianism, Lewis was (or still is) the Tom Wolfe: a dandy, innovator and pyrotechnician

rolled into one.

The world would be a poorer place without him, but I doubt

ruptcy if deprived of this movie. Directed and co-written by Jim McBride (The Big Easy), it homes in on two headline years in the rock star's life (1956-58), when the launch of his career was closely followed by a scandal that almost ended it. His marriage to his 13-yearold coosin Myra (here played hy Winona Ryder) caused nationwide tut-tutting on his dehut British tour and soon

spread infamy across America.

Dennis Quaid plays Lewis
with wild mimicry — pop eyes,
quiff of blond bair, bird-like jahblngs of the head - and attacks the ivories with s convincing display of insanity. But around this star turn all, or too much, is Toytown period pas-ticberie. Set-to-music sequences lampooning 1950s consumer culture (Myra prancconsumer culture (Myra prancing round a furniture shop spraying dollar notes) or pre1950s Hollywood (a reunion scene in *Gone With The Wind* style) create a mortal coyness never shuffled off by the "serious" scenes. Add two terrible supporting performances – Alec Baldwin overacting as preacher Jimmy Swaggart. preacher Jimmy Swaggart, Peter Cook palely loitering over his lines as a muck-raking London newshound – and the

I'm Gonna Git You Sucka and Roadhouse are parodies, wit-ting and unwitting respec-tively, of movie machismo. The

coalesce into a whole.

movie ends up like a collection of spare parts reluctant to



first cocks a belated snook at 1960s-era "blaxpoltation" films (Shaft and company). Some longueurs but good jokes too: an imaginatively-shod dandy who wears goldfish bowls as lifts, an officially sponsored "annual youth gang competition" mith with spirit for the quick. annual youth gaing conject-tion" with prizes for the quick-est car-stripping or smash-and-grab getaway. Keenen Ivory Wayans directs, writes and

Patrick Swayze, last seen dedicating his limbs to Terpsichore in *Dirty Dancing*, devotes them to Mars in *Roadhouse*. Playing the best-paid "cooler" in the Midwest – a sort of super-bouncer hired to raise the tone in redneck bars - he shows that you do not have to be built like A. Schwar-zenegger to grind troublesome

This long, violent, one-idea film is redeemed chiefly by its silliness. Hard to resist an indulgent giggle at the hero's indulgent giggle at the hero's insistence on his philosophy background (special interest, "Man's search for faith, and that kind of shit"): nor at the sight of bantam-size Ben Gazzara as the film's "Mr Big." who tries to give Swayze his final punch-uppance. Given such opposition, I might apply for work as a cooler myself

There was seldom any need to hire coolers in pre Gorba-chev Russia. Aided by censorship and Siberia, the Kremlin did all the cooling required. It buried under 20 years of per-mafrost, for instance, Asya's Happiness, made by Andrei

for work as a cooler myself. The going rate according to the film is \$500 a day with \$5000

Konchalovsky in 1967 before be left Mosfilm for Cannon Films and gave us Runaway Train and Shy People.

Now thawed out by glasnost, this picture of a peasant village turbulent with humanity combirbulent with humanity com-bines the best of Konchalovsky with the more prevalent worst. Best: a delight in human nature that sometimes allows revelations of feeling to pour unfettered from the face and voice. Worst: a tendency to to dispense off-the-peg inspira-tionalism in excessive quanti-ties (hanov cayorting peasants. ties (happy cavorting peasants, sunhursts through windowframes). Why the film was ban-ned is a mystery, unless triteness was a censorable offence

Nigel Andrews



Steven Berkoff

4.6

Salomé

Steven Berkoff's elegantly slow motion, minimally excessive production of Oscar Wilde's moonstruck idyll for the Gate Theatre of Dublin, which visited this year's Edinburgh Festival, was invited to the South

Bank to plug half the post-poned Celestina gap.

Since when, the entire Gate cast has been replaced by an ad hoc crowd led by Berkoff himself as the incestuously las-civious Herod. Whatever skulduggery has been committed, the result is an improvement beyond measure and a triumph of hrilliantly sustained style over and in aid of a text so lushly arch and ridiculously ornate it makes Swinhurne sound like Philip Larkin.

Berkoff's reading wraps the actors and their voices round the exchanges and sonic flights of adjectival pile-ups and clotted epostrophes to project a consistent vision of an exagerated norm, only interrupted by Jokanaan's cage-rattling out-

Herod's palace is a marble,

wide-spread terrace under a scudding bloodshot sky inhabited by a 1920s gamg of flappers and beaux, all in black and white, who serve as Jews, Nazarenes, guards and chorus.

It all looks the same as in Edinburgh, The design of Robatt Rallagh is fatthfully parameter. ert Ballagh is faithfully reproduced, as are the deliquescent, hauntingly atmospheric plano meanderings of Roger Doyle, this time played by Eleanor Alberga. But I'm further from the Strauss opera this time.

And the chorus of eight, which includes dance specialist imo-gen Claire and two notable young actors, Vincenza Ricotta and Jason Carter, is much more integrated into the proceedings, much more expres-

This formidable, ewivel-hipped phalanx cuts frieze-like postures, tangoes hrightly around the cell, a simple square dark patch, chortles and keens to incisively held sound patterns, inhaling almost the invisible floating veils and stockings of the danc-

ang saiome.
As before, all the props, veils, swords and cigarette lighters are mimed. The display of sculptural gesture now receives the authentic Berkoff stamp, with his own Herod, a thuggish death's head, chasing vowels with two voices, a tight nasal wheedle and a gulping bellow. He enunciates what-ever sound the word suggests. His slinkily erotic Herodias (too long time no see, Carmen Du Sautoy) colours the marital bust-up with crowing political overtones, while Katharine Schlesinger is a carnally experimental and finally tragic Salomé, and Rory Edwards a bleakly isolated and impas-

sioned prophet.

The metronomic pace Berkoff inflicts on the lines cun-ningly allows for e vocal and physical ballet of rubato, col-ouring and hissing, glottalstopping relish.
Just 20 more performances

Michael Coveney

August Pace

SADLER'S WELLS

The problems for viewers, new or old, with Merce Cunningham's choreography frequently have nothing to do with the dance or the dancers.

with the dance or the dancers. These, serena or disquieting, clear or secretive, spaak uncompromisingly to the eye, hringing their own rewards and intrigues.

The trouble has to do with the running interference provided by tha sound-track for the dance, that arbitrary assemblage of noise or talk or radio static, or whatever, that is at best a hackground accompaniment and at worst a distraction. We are not so sophisticated, or so brutish, in the theatre that we can ignore or accept unrelated sound without enquiry. We seek without enquiry. We seek meaning, or at least explanation, for what we listen

to as we watch. The experienced Cunningham observer can accept some of these "scores" as attractive, or necessary, or illuminating with certain creations. (I found this so with the accompaniment to August Pace, a work made this year which featured in the latest Cunningham programme on

Tuesday night.) But even the most devoted must surely have been vexed because forced into overhearing and mishearing, and wanting at least to try and understand - a fragmented dialogue between two male voices that was the "music" (said the programme) for

Eleven, also on view.

The words were clear enough and yat not clear enough to be an irritation, like enough to be an irritation, like faint conversation on a crossed telephone line. And since I do not think that an endience can be expected to ignore the spoken word, there must inevitably be a failure in our attention to what looked very elegant movement. Were the elegant movement. Were the

people seated behind us to have chattered throughout the piece, we should have objected. The chatter of Cunningham's two associates in the pit was given the immunity of performance, and was

intrusive and exasperating. Even so, Eleven, its men in paint splotched trousers, its women in paint splotched tops, had a clarity and spacious formal strength typical of Cunningham in the 1980s. Classical in its harmony, in its careful placing of movement and of that movement in space, it invites us to enjoy shapes and sequences of dance, making its score seem all the more meretricious thereby.

August Pace is a large

company work for seven men and eight women. The numbers are significant only in that the men (in white), the women (in black), bear numbers on their backs, while the eighth woman is dressed half black, half white, and Sergei Bugaev's faux-naif back-drop comprises stencilled numbers with an object (a car, them. All this has nothing to do with anything: what matters is the series of entries and collaborations between the dancers, in duats and ensembles, that fill the stage

with fascinating incident. The score, and it is genuinely so, is by Michael Pngliese, combining faint drummings, string writing for Japanese instruments, and a wonderful susnrration of stones inside enclosed tubes. The effects are satisfying to the ear - we are not being harassed by the musicians -and enhance the sense of other-worldliness that the piece proposes in its dances. I though it very fine.

Clement Crisp

Wolfgang Holzmair

Just when it seemed that the post-war giants of the recital platform might retire without any ohvions successors in sight, a series of promising young singers bas come to notice. From the Germanspeaking countries we bave already seen the emergence of Bär and Protschka, Lorenz and Homberger, and to those names we can now add the Viennese-trained haritone Wolfgang Holzmair, who came to London for his recital debut

on Tuesday. Any fear that Holzmair might prove to be a weak post-script to so strong a declara-tion of new talent was swept aside with the opening song. The vocal punch that he brought to "Aus Heliopolis II." the first of an all-Schubert programme, announced authority from the opening bars. The voice is dark, interesting,

sometimes grainy, with a force-ful ring to it, and yet it can also change gear into a dulcet head tone as effective as that of Bar, the most feted of his contemporaries.

Over the next few years it

will be fascinating to see how the members of this "brat pack" of young Lieder singers mature. None as yet looks as deeply into the texts of his songs as a Schwarzkopf or a Fischer-Dieskau, but Holzmair at least has gone a long way towards exploring the full pos-sibilities of his voice. In this recital his singing was always alive, risking sudden contrasts, trying out new tone colours in a way that was as rewarding as it was unpredictable.
It was certainly difficult to

tell which songs would hring out the best in him. The calm well sustained and "Liebeslaus

chen" had its narrative related vividly. But in some of the less obvious songs, such as "Sehn-sucht," it seemed that the only way Holzmair could be certain of holding attention was to veer from one extreme to

veer from one extreme to another, now very soft, now very soft, now very loud — the latter encouraging his accompanist, Gérard Wyss, to play as though he was in the Albert Hail.

There is no need to make points as emphatically as he does in Schubert and Holzmair would do well to resist his planist's lead. The quality to be cherished by this lively and positive young artist is refinement, though it is good to note that the best of his singing — a "Die Sterne" full of wonder, an "Die Sterne" full of wonder, an amusing "Die Taubenpost" – suggests he may already have discovered that for himself.

Richard Fairman

The Vigil of Venus

FESTIVAL HALL

Lloyd, born in 1913, had a highly auspicious early career
- first symphony written at the age of 19, second opera.

The Serf successfully produced at Covent Garden at the age of 25 - but, severely shellshocked during the war, he retired from the musical world for many years. His comeback dates from the late seventies, when his now numerous symbegan to find a following amongst performers and listeners alike. Nine of his eleven symphonies have now heen recorded, some of them twice. At the Festival Hall on Tuesday night the choral and orcbestral forces of Welsh National Opera made their South Bank debut (sponsored by South East Wales Financial

er George Services) under Lloyd's own rigge Too often the inte direction in the world première of an evening-length cantata which he wrote in 1979-30. The Vigil of Venus is a grandilo-quent setting of an anonymous pagan poem (Pervigilium Veneris from the Latin Anthology. Lloyd was attracted to the poem's lnsh celebration of spring and its erotic pleasures, and endeavoured to produce an correspondingly opulent and enthusiastic score.

One was reminded by it of the idioms of a host of dead British composers from Vaughan Williams to Havergal Brian, briefly (in the scherzo third movement) of the Britten of the Spring Symphony. What the music really needed int had not found was the sustained burgeoning intensity of Tippett's The Midsummer Mar-

fervour merely resulted in stodgy textures and s paradoxi-cally lugubrious effect. The prevailingly coarse. For all its whipped-up frenzy, the music sounded thoroughly old-fash-

The better hits were those soloists, soprano Carolyn James and tenor Thomas Booth, sang their hearts out.

Paul Driver

ARTS GUIDE

EXHIBITIONS

London

The Royal Academy. The Art of Photography 1839-1988: in cele-bration of the 180th anniversary of the first practical demonstra-tions of the medium, this large

and impressive exhibition leads the visitor through the practical developments and sestbetic vari ations and experiments in the use of the medium, from the work of the earliest pioneers in France, England and Scotland, up to the present. Daily until December 28.

The Royal Academy. Gauguin and the School of Pont Aven - a fascinating study of the prints made in the 1880s and 1890s by the loose society of artists that came together at Pont Aven in Brittany, of which Geu-guin was the leading but not necessarily, at the time, the outstanding figure. Daily until November 19.

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's aketchhooks. After two years of meandering the world over, the exhibi-tion ends, aptly, in Paris. The 40 sketchhooks covering a period of 64 years follow closely Picas-so's development, 107, Rue de Rivoli (42603214), closed Tue. Ends December 31.

Grand Palais. Archaeology in France. The exhibition presents 30 years of discoveries with some 3,000 objects, beginning with the inevitable skulls and fiint tools and ending with finds from the Louvre foundations. Late-closing Wed. Ends Dec 31 (42395410).

Musée des Arts Decoratifs. Bohemian glass 1400-1969. Some 200. exhibits, among them the famous ruby-coloured glass, show how — having freed themselves from Venetian influence — the glass-makers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period. 107, rus de Rivoli (42603214). Closed Tue, ends Jan 28. The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a latimotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century.234 exhibits, miniatures and manuscripts, textiles and caramics show the

its, miniatures and manuscripts, textiles and curamics show the unifying force of this inspiration which ranges from the decorative to the symbolic, Ends Jan 15

de Versailles. David. A recrospec-tive consisting of 84 paintings and 165 drawings is held simulta-neously in the Louvre and in the Chateau de Versailles. It retraces the artistic development of the founder of neo-classicism who criting the form recross's who, cutting free from rococo's frivolities, preaches the Roman republic's rigorous virtues in The Lictors returning to Brutus the bodies of his sons. Louvre closed Tue, Chatean de Versailles closed Mon, both exhibitions

end Feb 12, Musée Rodin. A delightful 18th captury townhouse — Hotel Biron — contains the life work of Auguste Rodin, whose powerful genius opened the way for modern sculpture. 77, rue de Varenne. Closed Tue.
Musée d'Orsay. The spectacular
museum of the 19th century is
situated opposite the Tuileries

(40205317). The Louvre and the Chateau de Versailles, David, A retrospec-

gardens within the metallic structure and the glass-routed vault of the vast Belle Epoque railway station. 1, rue de Belle-chasse (45494814). Closed Mon. Gelerie d'Art Saint Houore. Gelerie d'Art Saint Honore.
Lucretia. Setting off the white
androse-coloured body against
a deep black background, Lucas
Cranach the elder dares to paint
at the beginning of the 16th century in Luther's town a disturpingly beautiful Lucretia. Closed
Sat, Sun and lunchtimes. Ends
Dec 15.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 50 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exception at extinuits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backings. Ends Nov 19.

Brussels

Europalia Japan 89 has organ-ised the largest festival of Japa-nese arts and culture outside Japan with performances and exhibitions across Belgium, Palais des Beaux-Aris.

Museum of Modern Art (Muhka)
32 Leuvenstreat. New tools - New
Images: art and technology in
Japan today with installations
by Tatsuo Miyajima, Tsuneo Nakai, Ends Dec 3.

Fundacion Juan March. Retrospective of Edward Hopper opens

tion. 61 works by the New York realist covering a period of 56 years. Until Jan 4.
Palacio de Velazquez. Some 22 paintings and 20 drawings and engravings by Sean Scully, one of the most important figures in the new generation of abstract artists. Ends Nov 19, Closed Mon. The theme is focusing on "The Other city". Until Jan 15.

Barcelona Fundacion Caja de Pensiones.
International art. Exhibition of
contemporary art from the
museum's holdings acquired
since 1985, including works by
Forg, Huber, Mucha, Deacon,
Kiefer, Polke, Cucchi and Mexz.

the autumn season at the founda-tion, 61 works by the New York

Kunstverein, am Markt 44. A "Prospect photography" to cele-brate the 150th anniversary of the invention of photography with 130 works from around 30 photographers and artists. Ends

Städtische Gelerie im Lehmbech-haus. The most complete retro-spective of the expressionist painter Kerl Schmidt-Rottluff to date with almost 370 works from 70 private and public collec-

Stadtisches Kunstmuseum, Rathausgasee 7. Glanzlichter, 40 years of government support for art. Wold Huber, Antoine Watteau, Heinrich Vogeler, Max Beckmann and Meissen purcelain are on display. Ends Nov 22.

Museum for Applied Arts is host-ing a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect.

Palazzo dei Conservatori, Campidoglio, Giuseppe Ceracchi (1751-1801), Jacobin sculptor. The exhibition includes a touching sye-witness sketch of Ceracchi and co-conspirators in a plotto assassinate Napoleon standing at the foot of the steps to the guillotine. Until Nov 12. Palazzo Venezia. Irlante: ancient and modern in the IRI collection. and modern in the IRI collection. The state holding group is show-ing for the first time some of its fine collection of sculpture, paintings and tapestries dating from the classical Roman period up to the present day. Ends Nov 30.

Castello Sinzesto. Unknown Treasures from the Moscow State History Museum. Over 500 pieces of applied art including gold and silver embroidery, lace, brocade, icons, jewellery and costume covering three centuries, chosen from from a collection of over 4m pieces. Ends Nov 22.

Palazzo Te, Truttiere di Palazzo Te, Reggia Gonzaghesca. A vast exhibition devoted to Giulio Romano, Raphael's favourite pupil, who spent the last 20 years

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates around the world cuminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Art. A Perspective on Contemporary Art. Colour and/or Monochrome. Paintings, prints and sculpture by 21 younger artists from Japan and elsewhere,

which favoured volces rather than instruments, for instance the sixth movement, scored for tenor solo and a cappella semi-chorus. But tha succeeding orchestral scherzo made a nice use of bongos, while the eighth movement was definitely catchy. The young American

SALEROOM November 3-9

of his life in Mantua, producing masterpieces of srchitecture, painting, engraving and fresco. Ends November 12.

Hirshhorn Museum. The first retrospective in America in a quarter century celebrates Fran-cis Bacon's 80th hirthday with a comprehensive review of his prolific career. The three-city US tour begins here with 60 works, a surprisingly large num-ber of which are highlights of contemporary art. Ends Dec 7.

Art Institute. Fixing the Shadow shadows the history of photography at its 150th anniversary. Of the millions of possible contributions, the exhibit focuses on 400 pieces by 200 photographers organised chronologically. Ends Nov 16.

National Museum of Modern

Contemporary records

Modern art is still the flavour of the year among the hig money punters of New York. On Tuesday night Christie's sold 101 works of contemporary art for \$62.3m (\$39.5m) with only eight lots failing to find buyers. In all 26 artists recorded new auction highs for their work, including Lichten-stein, Duhuffet, Wesselmann, Julian Schnabel (\$220,000) – and Gilbert & George (\$165,000 for "Stepping," which shows the lads separated by a giant

purple orchid).

Christie's had placed a high estimate of \$47m on the sale and this was topped by \$15m. There were Japanese in the room but most of the lots were bought anonymously, with the Fred Hoffman Gallery of California the most public buyer. A British artist, Francis Bacon, subject of a major retrospec-tive in Washington, set the top price of \$5.72m (£3.6m), for one of his studies for a Pope (it sold at Christie's in 1964 for 5,550 guineas). It was not quite a record for Bacon but the \$5.5m. psid by dealer Thomas Ammann for pop artist Roy Lichtenstein'e "Torpedo...Los!," a comic strip oil from his War

series, certainly was. The only disappointment was Jasper Johns, who holds the record for a contemporary painting ~ \$17m set last year. He sold, but only within estimate. In contrast, Dnhuffet's "Monsieur d'Hotel" more than

\$2.53m, while Robert Ryman did even better: "Summit," a blank white linen canvas held up by metal brackets, making s record \$2.31m, as against a \$850,000 top estimate. In all 13 lots heat \$1m in Christie's most successful contemporary sale to date. Many of these paint-ings were produced and bought in the last few years, making

the sellers more like dealers than collectors. Sotheby's had one major setback in London when it sold modern British pictures: "Palm Beach" by Sir John Lavery was bought in at £112,000. This apart the market continued strong. The London dealer Bernard Jacobson paid £148,500 for "The Sahhath Breakers" hy Stanley Spencer while "A Horse without a Rider" by Jack Butler Yeats was on target at

£121,000. Among the records were the £90,200 paid for "Blue Boat and Rainstorm" painted in 1954 by Peter Lanyon, and £74,800 for a view of Flask Walk in Hampstead in the rain by Camden Town School artist Charles Ginner. There was also a new high for Sir William Russell Flint, one of his unthreatening mudes making £47,300. A 1928 Lowry, "A Removal" went to the Crane Kalman Gallery of

Antony Thorncroft

London for £85,800.

FINANCIAL TIMES

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The future of local taxes

reform of local government finance. One might have hoped, therefore, that the net-work of grants and taxes unveiled this week by Mr Chris Patten, the Environment Secretary, would represent a deci-sive improvement on the old arrangements. Alas, this is not the case. The reforms will undermine the accountability of local government in two
ways: by sharply increasing
the proportion of council revenue under Whitehall control;
and by forcing councils to rely

on an inefficient and inequita-ble form of taxation — the community charge or poll tax. Under the old rules, local councils controlled both hisiness and domestic rates. The two property taxes raised roughly half of their revenue, the remainder being made up of central grants. The Government has now assumed control of local business taxation, which will be levied at a uniform rate. The total sum raised will be distributed to councils in proportion to the number of community-charge paying adults. For councils, the business rate will be just another grant from Whitehall. The poll tax is now the sole form of local taxation and it will finance little more than a quar-ter of total local expenditure.

Important services

This is an extraordinary state of affairs. Local govern-ment is responsible for the delivery of many important services, including education, personal social services, public transport, police, fire and civil defence, and road maintenance. Many of these functions, such as community care for the elderly, are likely to become more important. Yet under present arrangements, if local people want to spend 5 per cent more than Mr Patten judges is correct, they will have to raise the poll tax by 20 per cent. Given the nature of the levy, the hurden of any increase will fall disproportion-

the reforms will thus force local communities to ahide much more closely to White-ball spending edicts. On Monday, Mr Patten published a long formulae-ridden paper explaining bow he intends to

THE THATCHER Government calculate what local commun ties ought to spend. Standar ties ought to spend. Standard spending assessments (SSAs) are to be calculated for every component of local authority expenditure. These will reflect the "demographic, physical and social characteristics of each area." For example, in primary education civil ser vants will make adjustments for the differing numbers of children requiring free school milk, Councils which charge the recommended poll tax of £278, in effect, will be agreeing that a team of officials in London is capable of assessing their every need.

Enhancing autonomy

A Government which genu-inely believed in choice, diver-sity and personal responsibility would not have a view about bow much Bridgnorth in Shropshire should spend on street lighting, Instead of seek-ing ever-tighter control of local expenditure, it would be searching for ways of enhancing local eutonomy. If councils are to become properly accountable to local communities for their spending deci-sions, it is essential that they raise a higher, rather than a lower, proportion of revenue locally. Central government can have no valid objection to high spending in some areas provided the tax hurden is willingly horne locally. Indeed, the only way to avoid central planning of local expenditure is to ensure that local communities, so far as possible, finance their

own expenditure.
The Layfield committee recognised this in the mid-1970s and argued the case for new sources of local revenue to aupplement domestic rates, such as a local income tax. The Government has moved in the opposite direction by abolishing property taxes and imposing a levy which ignores the canons of fair taxation. Rebates for 9½m people and extraordinarily generous transitional articular will enemal sitional protection will ensure that the full effects of recent changes are not felt for many years. But they cannot obscure the fact that this reform of local finance, far from addressing underlying problems, has exacerbated them. No form of government can flourish if it is denied fair and efficient means

of raising revenue.

Conservation begins here

MRS Margaret Thatcher'e imaginative address to the United Nations on the dangers of global warming is another welcome contribution to the debate she started in Britain just over a year ago. The Prime Minister has now fully established ber credentials as a wbole-bearted if lately arrived participant in the worldwide series of discussions on what to do about damage to the planet. She spoke to the essence of the matter when she pointed out that the main threat to the environment is more and more people, and their activities. The result is the prospect of "irretrievable damage to the atmosphere, to the oceans, to earth itself. Britain's Green Party could not ask for a better exposition of the reason for its existence.

Greenhouse effect

Characteristically, the Prime Minister gave the impression that Britain is in the vanguard of efforts to find solutions. Britain will co-ordinate the sci-entific assessment of the green-bouse effect being made by the International Panel on Climate Change, whose report is due next year. Three committees of this panel are chaired by Britain, the US and the Soviet Union: environmentalists question the weight given to large industrial nations. Britain, again, will establish a new centre for the prediction of climate change - but, apart from that, Mrs Thatcher told her UN audience that other new institutions are not needed. So much for recent French-led efforts, supported by 24 heads of state, to establish a new UN agency empowered to impose sanctions on governments that

do not reduce emissions.

The Prime Minister is not, however, always alone on the international stage. Britain wss supported by the US, Japan and the Soviet Union at a 72-nation conference in the Netberlands this week. The four industrial powers, which between them account for half the world's emissions of carbon dioxide, blocked a proposed freeze on emissions by the year 2000 and a reduction by the year 2005. The pledge was maintained, but implementation is to be "as soon as possi-ble." This is reasonable enough

if the delay is merely to await the report of the international Panel on Climate Change; it will be seen as simply destruc-tive if the assessment made by that panel is influenced by

Stronger credentials

In this as in other environ-mental matters Britain's credentials will be strengthened it the Government produces a strategy for environmental protection on a scale that matches that of, say, the Netherlands of West Germany. Mrs Thatcher told her UN audience yester day that over the coming year Britain will be drawing up its environmental agenda for the decade ahead, covering energy, transport, agriculture and industry. If this is to be credible it will have to involve seri-ous changes in the outlook of the responsible government departments. The Prime Minister's menu lists present policies, but the attractions of the soon-to-be privatised electricity soon-to-be privatised electricity industry may be reduced by the need to impose environmental protection; likewise transport policy still favours the private car, a hig contributor to the greenhouse effect.

The truth is that the British briten Minister while contributions of the private cars.

Prime Minister's public conversion to the environmental cause came during ber tenth year of office, while that of the Government as a whole has yet to be completed. Mrs Thatcher remains out of tune with deep ening green opinion on the rel-atively minor issue of nuclear power, which she probably rightly asserts is relatively clean, and the fundamental issue of economic growth, which she maintains is required to pay for the protec-

tion of the environment.

Many environmentalists are coming round to the view that only slower or non-industrial growth will reduce the emission of noxious gases. It would be very difficult for the leader of a party committed to increasing affluence to accept this, nowever forceful the arguments may turn out to be. Yet the logic of her assertion that "it is life itself that we must battle to preserve" on this planet is that ehe ehould be asking the unthinkable questions about the nature and extent of economic growth.

George Graham examines a wave of acquisitions by French companies

even years ago, in Mr François Mitterrand's first term of office as President of France, one of the most striking symbols of the country's industrial strategy was the "battle of Poitiers," a determined attempt to stem imports of Japanese video-recorders by making them obtain customs clearance in this small town in western France, where 1,250 years earlier Charles Martel had driven back the Moorish invasion.

Now, in President Mitterrand's second term, the image has changed radi-cally: rather than fighting off the invader, French businesses have gone on the offensive, shaking off a shroud of insularity and emharking on a

costly series of foreign purchases.
With few exceptions, private and public sector companies alike have adopted a strategy of growth by acquiadopted a strategy of growth by acquisition. The last few weeks alone have offered examples ranging from the chemicals industry, where state-owned Orkem has bought the Bostik glue company for \$345m and is hidding for the 60 per cent it does not yet own in Coates Brothers, the UK inks group, to banking, with Banque Indosuez's planned purchase of a 24.8 per cent stake in Morgan Grenfell, the London merchant bank.

Going back a little further. French

Going back a little further, French companies have heen involved in some of the largest deals of the last 12 months: aluminium producer Pechiney's purchase of American National Can in the US, BSN's acquisition of three biscuit companies from RJR Nabisco; and in the insurance sector, Victoire's purchase of the number two West German insurer, Colonia/Nord-stern, and AXA's participation in Sir James Goldsmith's Hoylake company with the aim of winning Farmers in

the US. Overall, French companies made 157 foreign acquisitions worth FFr 65hn in the first half of this year, up nearly 40 per cent in value from the same period of 1988, according to PF Publications, a specialist mergers

France is, of course, not alone in this new appetite for growth by acqui-sition. The decline in share prices after the 1987 stock market crash trig-gered a wave of bids around the world, while a number of industries bave entered a period of ferment and

changing ownership.

Indeed, France has at the same time become a more attractive target for inward investment, especially in the financial sector, where Europe'a largest groups are preparing for the open-

French companies have made 157 foreign acquisitions worth FFr 65bn in the first half of this year

ing up of a single internal market ing up of a single internal market —
like Dresdner Bank, which is to take
control of France's Banque Internationale de Flacement, or Allianz, huying
50 per cent of the Via insurance businesses from Navigation Mixte.

There has, however, been something unusually single-minded in the
determination of French companies to
expand abroad. This determination is

expand abroad This determination is driven by a widespread feeling that their country has fallen behind its main competitors, and must catch up - especially in the face of the European single market, a prospect which in France is viewed largely in terms of a competition with the rest of the European Community.
"Europe, for most politicians, is the

12 nations' tournament; Asterix's team must win," comment Mr Jean-Marie Colombani and Mr Jean-Yves Lhomeau in their recent book Les

Héritiers. For husinessmen, the determination

Time to take the war to the enemy

to catch up takes on different aspects. Mr Claude Bebear, chairman of the fast-growing AXA-Midi insurance group, talks in terms of critical mass of the need to reach e size where his company will not simply be trodden underfoot by the giants of Japan or

His preoccupation is widely shared. A survey of 300 large and medium-sized French industrial and services companies conducted by Bain & Co. the management consultancy, for the Industry Ministry showed that size was the number one strategic objective, favoured by 38 per cent of the sample, ahead of return on capital. Size is an even more dominant concern for the companies Bain categorises as "champions," leaders in their markets.

markets.
For Mr Antoine Ribond, head of the BSN foods group, the target is to attain more first or second place positions in each specific market segment in which his company is present, be it yoghurt, beer or noodles.

Market share has, in fact, become

over the past year or two one of the dominant strands in French business strategy, and with the European single market lurking only three years ahead at the end of 1992, market share has to be bought in - time is too short for home-grown expansion.

The Bain France 300 survey shows acquisitions and mergers are the main investment priority of leading French companies, ahead of research and development, productive investment and commercial investment. The companies questioned estimate that acquisitions accounted for two thirds of their real growth between 1985 and 1988. Between 1988 and 1992, they expect acquisitions to account for three quarters of their growth and 70 per cent of these acquisitions to be outside France.

One of the few sectors where mar-

ket share is not the dominant consideration is banking. Most French banks view it as impossible to attempt universal banking outside their home market, though some have, nevertheless, set about building substantial branch networks throughout Europe - notably Credit Lyon-nais, which has taken control of Credito Bergamasco in Italy and of commercial banks in Belgium and the

But the move towards the opening up of financial services within the EC has given all of them the same incentive to expand abroad, mostly in spe-cific niches, like Societe Generals with its acquisition of the UK fund

manager Tonche Remnant.

There are objective grounds for France's feeling that it had been left behind. As the Trade Ministry notes, in a report entitled Where is French Competitiveness?, France's share in the foreign investments of the indusits share in world exports; and while French companies had 1,017 subsidiaries in West Germany, West German companies had twice as many in

And while the average turnover of the top 250 companies in West Ger-many was around \$2.2bn in 1987, in France the figure stood at only \$1.3hn.
One of the reasons for this lag was
the effect of exchange controls: these
have been progressively dismantled
since 1985, but in the past the require-

military is about deterrence.

If you have to fight, you're glad to have done it, but I still

wish I hadn't."

Woodward left the Navy last

month at the age of 57. He was not going to be First Sea Lord - there is no bitterness about

this - and did not want the senior job he was offered in

senior job he was offered in the military organisation of Nato. "I found I was not using my brain as much as I would have liked," he said yesterday, After the campaign, he was invited to a lot of City lunches. He says he "did the Falklands bit" for about three years, but was becoming pretty bored

was becoming pretty bored with it. His mind was switch

ing to management theory and how to apply the principles

of war to business.

The turning point came at a lunch which Woodward

addressed at the Savoy last January. He was heard by a

man called Giblin, who was

in the throes of setting up a

Giblin's coup

Peter Giolin is a well-edu-

considerable experience of

presence in the business of

management evaluation. He

of Samuel Montagu.

was later a managing director

Giblin was impressed by Woodward, who had already

decided to leave the Navy. He

approached him, and Wood-ward agreed to join Axiom, which has now been going for

about six months, based in

London. Giblin is chairman and chief executive; the co-

founder is another American.

in international tax questions

at Ernst & Whinney.

William Flynn, who specialised

cated American lawyer with

Europe. He speaks French and Spanish. He helped Russell Reynolds establish a European

new company.

ACQUISITIONS & MERGERS



BSN

June 1989. Acquired Henninger Hellas, a Greek brewery, for an undisclosed aum July 1989. Bought Galbani, an Italian cheese maker, jointly with

Italy's Ifil for £1bn October 1989. Agreed to take control of Birkel, a West German noodle maker

November 1989. Agreed £301m bid for Coates Brothers, the UK inks

adhesives group, for \$345m

(US) for \$480m Institut Merieux, a subsidiary of Rhone Poulenc, is bidding

Thomson CSF October 1989, Declared intention to bid with British Aerospace for

August 1989. Agreed to buy most of Philips' defence interests Michelln

Service from BTR for £140m September 1989. Agreed bid for Uniroyal Goodrich tyre company for

financial situation was for some years

considerably worse than that of their foreign competitors. Where corporate

debt to equity ratios in West Germany peaked in 1981, after the second oil

nies continued to become more heavily indebted up to 1984, reaching

a high point of 62.6 per cent. It was not until 1985, and more strongly 1986 and 1987, that companies' financial

situations started to improve, partly as a result of higher profit margins but also because of increased access to equity capital, as they sought stock market flotations or carried out rights

In 1986 and 1987, as financial health returned, the main preoccupation of



INDUSTRIAL

June 1989. Bought five European businessee from RJR Nabisco for

group October 1989. Bought Bostik, an

Rhone Poulenc September 1989. Bought RTZ Chemicals for \$823.5m September 1989. Bought GAF-SSC

\$800,63m for Connaught BioSciences of Canada, a vaccine company

June 1989, Acquired National Tyre

Societe Nationale Elf Acquitaine July 1989. Bought Penwalt Corporation, a US chemical company, for \$1.05bn

FINANCIAL SECTOR

Credit Lyonnais July 1989, Bought a 48 per cent stake in Italy's Credito Bergamasco for FFr2.6bn. Has spent heavily building up its retail banking networks in Belgium and the Netherlands

November 1989. Agreed to buy control of Thomson CSF's finance division in e FFr5bn share swap Compagnie Finenciere de Suez September 1989. Acquired Victoire insurance group for FFr27.4bn in France's largest takeover October 1989. Banque Indosuez,

the banking arm of Compagnie Financiere, bought a 20.4 per cent stake in Morgan Grenfell from Willis Faber for £137.4m, and agreed to buy a further 4.4 per cent Credit Agricole

About to take 13.3 per cent stake in Nuovo Banco Ambrosiano (NBA) for Lire 283bn. NBA is now set to became Italy's largest private bank after ite merger with Banca Cattolica del Veneto

August 1989. Agreed with Hoylake (currently bidding for BAT Industries) to acquire Farmers Group for \$4.5bn if the bid succeeds Compagnie Financiere de Paribas October to November 1989. Bidding for 100 per cent of Compagnie de Navigation Mixte valuing Mixte at

ment for investment currency added around 25 per cent to the cost of buy-ing a company outside France. French managers was to reduce their debt levels, a preoccupation repeated by ministers and government econo-mists who shared their concern at the overborrowing of the corporate sector. More recently, however, as profit This extra cost was one that French companies could ill afford, for their

margins have continued to improve, debt has come back into favour, it has come to be recognised as an impor-tant element in a growth strategy. ations was a pent-up movement from the companies privatised under the right wing Chirac government between 1986 and 1988.

"In our years as a nationalised company, we could not huy anything because the Right would howl; and we could not sell anything because the Left would how! Now there is naturally some redrawing of the bound-aries, commented the managing director of one privatised group.

This has been the case for the big privatised hanking and investment groups like Suez and Paribas, but also for industrial and services groups like Compagnie Générale d'Electriché (CGE), Matra and Havas. It is more than accident that the twn largest takeover hids ever to take place on the Erone's stock exchange, hother the French stock exchange, both launched in the last four months. have involved Suez, with its FFr 27.4bn acquisition of the Victoire insurance group, and Paribas, with its current hid valuing Compagnie de Navigation Mixte at FFr 25.6bn. Most striking of all, however, is the

Most striking of all, however, is the hectic activity of the companies which have remained in the state sector, despite the apparently rigid dogma known in French as the "ni . . ni . . " – neither privatisation nor nationalisation – imposed by President François Mittervand on his re-election in May 1988.

The "ni . . ni . . " doctrine is scrupulously applied to the point of absurdity, at the level of state-owned

absurdity, at the level of state-owned parent companies. This has caused difficulties for groups in need of fresh capital, for the state is neither willing to inject its own funds nor ready to authorise fund raising through equity

sales in the market.
One result has been the issue of a number of ingenious equity substi-tutes, known collectively as "Canada Dry" securities: having the same col-our and fizz as a whisky and soda but none of the kick. Mr Roger Fauroux, the Industry Miniater, is one who finds them less than wholly satisfac-tory, but they have at least permitted groups like Rhone-Poulenc to finance their acquisitions.

Another has been the series of arti-ficial operations between state groups number of ingenious equity substi-

ficial operations between state groups ficial operations between state groups intended to allow them to boost their capital without making the state dip into its own pocket. Deals like the share swap between Union des Assurances de Paris (UAP), the largest French insurance group, and Banque Nationale de Paris (BNP), the principal nationalised bank, in fact do little for either group's real capital strength, since the shares exchanged strength, since the shares exchanged cancel each other out. On the strategy side, however, BNP and UAP sive the impression of really believing in the potential synergy between banking

and insurance. and insurance.

The more recent deal which will leave Thomson, the electronics group, with a stake of 14 per cent in Crédit Lyonnais, the second largest atateowned bank, may have a more solid impact on Crédit Lyonnais's capital base; but on the strategic aspects of the limb better the contraction. the link, both groups have remained

wholly unconvincing.
Further down from the main parent companies, on the other hand, the ni...ni..." rule has not hampered the state sector. Sales of unwanted subsidiaries, and, especially, purchases of foreign husinesses, have come thick and fast, in a manner that would have been diffi-cult during the Giscard Presidency in the 1970s. It would have been equally difficult during the liberal Chirac administration of 1986-88 — not on ideological grounds, but because of that Government's preoccupation with privatising as many companies as possible as quickly as possible.

The outcome has been a de facto flexibility in the boundaries of the state sector almost unprecedented since the Second World War, leaving sed companies almost as trec as their private sector counterparts to expand, and in particular, to expand

The movement does not appear to be close to its end. Any mergers and acquisitions specialist in Paris can show a long string of buy mandates, and the acquisitive appetites of the country'e major companies are still

far from sated.

The battle of Poitiers is over, and corporate France is now taking the war to tha enemy.

Farewell to the Fleet

■ Admiral Sir John Woodward, the man who took the British fleet to the Falklands, has left the Navy early to become a management adviser. Better known as "Sandy" Woodward, he has become a director of a newish company called Axiom Advisors Ltd and will work for it on a project basis. Not that he has nothing else

to do. Woodward is writing a book about the Falklands
- he is honest enough to admit that it is being ghosted. There may also be a television programme next year which will be a reconstruction in seri alised form of the Falklands events as they happened -from the invasion in April to the recapture in May. It depends partly on securing the co-operation of many of the people involved, Argentines and Americans as well as the British. "Al Haig (the then US Secretary of State)

charges \$20,000 for an interview," Woodward says. What was his most vivid memory of the campaign? "The funny little room I lived in -my office, 9ft by 9ft, with a bed in it and a desk, and 9ft high as well, and a little room next door, 4ft by 4ft, with a shower and a loo and one window."
That was his base on HMS Hermes, the centre of the commu-

nications system. The biggest danger, Wood-ward said, was not so much the Argentine forces, though if they had attacked the Britisl Harriers, the outcome might have been different; nor was it the Argentine submarine lurking in the waters, and never spotted by the British. It was of internal fires on the British ships because they were going at such a rate.

Woodward kept a diary. People do that when they're under stress and have no confi-dants," he said. "It's the safety valve." Much of the book will be about the state of his mind at the time. He says that he had no sense

OBSERVER of elation when the campaign was over. "You spend your life being trained to fight a war, but you know that the



"Brilliant, unassailable, incomprehensible - curious references aren't they,

Axiom is a small firm and ntends to remain so. It is backed by a mixture of bank loans and the private capital of the partners. A key concern is mergers and acquisitions, and guiding companies through the management changes which those involve.

"We're a rather unusual col-lection of people," Giblin said yesterday. One aim is to help companies that are begining to go for growth. In the hig M&A contests, Axiom might slot in along side one of the giants, like Goldman Sachs, and play a specialised role.

There is a couple of projects singled out for Woodward, who insists that he is on six months trial. Giblin says that he is too modest. "The Admiral is going through a transition period in his career," he adds. The projects have nothing to do with defence.

Cheap Hurd ■ The Smile on the Face of the Tiger, the novel about

Hong Kong by Douglas Hurd, has re-appeared in the Colony's bookshops. People are Isoping it up to try to discover how the new Foreign Secretary will deal with Peking on their behalf. Hurd and the co-author, Andrew Osmond, might he a hit concerned about the lack a nit concerned about the lack of royalties, however. The paperback edition of a decade ago is being sold at its original price of £1.10.

Small change

The British currency is shrinking. Next year a new strinking. Next year a new tiny 5p coin goes into circula-tion, to be followed in 1992 by a slimmed down 10p. The coin dealer, Richard Lobel, who runs Coincraft in Great Russell Street by the British Museum, has got hold of a set of the coins and is displaying them in his window until the end

of January.
The 5p is very small indeed, about the size of the short-lived decimal ½p, although it keeps its cupro-nickel gloss. The 10p shrinks to the size of the current 5p.

The coins were bought from another dealer for £300, probably as a result of a leak in the vending machine business the Treasury allows a few coins out for testing, which is essential in case the coins don't take to the machines. The other problem is assuring that they do not replicate the weight and size of any foreign coin. Technically, this is known as finding the right slot. It is an extremely difficult task and can take years to

complete.

Lobel thinks that the appearance of the coins will cause a national outcry and likens them to the brass threepenny bit of Edward VIII.

Keeping up

From the current issue of the magazine for past pupils of Cheltenham Ladies' College: "... has retired from soliciting for the third time, but is active

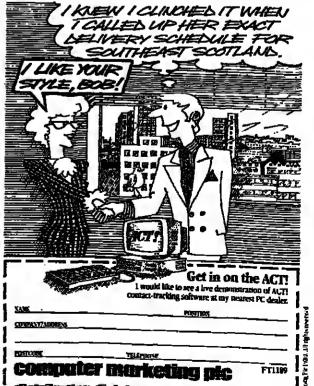
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Bridget Bloom reports on how the pressures for more housing in rural England affect one East Anglian town

Development comes to Aldeburgh

ers bullying their way through once Church Farm to build 240 new

Several bundred citizens of the pretty Suffolk coastal town, world-famous as the home of Benjamin Britten and Peter

rear hand the yearly music festival they founded, are deeply upset. "We feef under siege," says Margaret Browning, former mayor and shop owner.

"It's not as if Church Farm will be the end of development — applications have just been granted for another 100 housing units in the town. And another area, Church Farm Marshes, seems to be up for development too. be up for development too.

"We are by no means opposed to some continuing bousing develop-ment," adds Hugo Herbert-Jones, chair-man of the Aldeburgh Society. "But the speed and scale of what is happening to Aldeburgh could change its character quite unacceptably

Aldeburgh, with its clustered houses and wide high street bounded by a slim, pebbled shorelina and by river and water meadows on the landward side. does have a special character. Britten's character Peter Grimes seems to lurk in the mists of the early morning as the fishing boats are beached. Yet it is far

from being the only East Anglian town to wish for less "development." Across southern England many citizens of country towns are hoping that Mr Chris Patten, appointed Environ-ment Secretary in July, will help them put an end to what Aldburnians are now dubbing the rape of the town.

For Aldeburgh represents in micro-cosm what is happening in many of England's recently remote rural areas, where pressures from a revolution of rising expectations and economic growth have met a planning system designed for an earlier era and recently weakened by central government flat.

Sncb pressures have been particularly acute in East Anglia in the last three or four years. Partly because of the revolution in information-based technology, new jobs have become available in larger country towns like Ipswich or Woodbridge. This fuels a demand for housing exacerbated by commuters moving northwards out of

London, by increasing numbers of older people seeking to make a pension go further and by a growing demand for second homes. In Aldeburgh, it is thought that as many as two thirds of the houses sold in the past few years have gone as second homes or for retirement by newcomers to the town. The district council says that 20 per cent of the town'e "dwelling stock" is second homes.

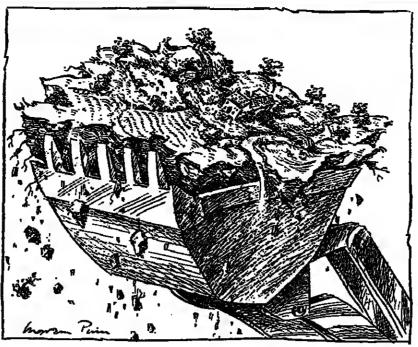
Meanwhile, rather like Aldeburgh's crumbling sea walls, national planning controls on new housing have been getcontrols on new housing have been get-ting weaker. Mr Jeramy Schofield, director of planning services for Suffolk Coastal District, which includes Alde-hurgh, notes that e greater permissive-ness in central government guidelines gathered pace under Mr Nicholas Rid-ley, Mr Patten'e predecessor. The rule for planners has been that "there is always a presumption in favour of allowing applications for developallowing applications for development . . . unless that development would cause demonstrable harm to interests of acknowledged importance."

Mr Schofield, the butt of much criticism in Aldeburgh, points out that plan-ners can only work within the guide-lines given them by central government: when the pressures for new housing are as intense as they

Aldeburgh represents a microcosm of what is happening in many of England's rural areas

have been in East Anglia, planning applications rise and - within tha limits set by government approved "structure plans" - so do approvals. In Suffolk Coastal District, numbers of planning approvals are currently among the six highest in the country,

he says. Mr Schofield acknowledges that the "speed and ecale" of applications granted has come as a shock to many. But he says, for example, that the decision on Church Farm in Aldeburgh was parily taken to meet conservationist objections that the 33-acre site should not be developed piecemeal.



The area, lying at the north of the town and separating the centre from earlier, sizeabla housing estates, has long been designated for housing. But many Aldhurnians bad thought that because, in 1986, an application for plecemeal development bad been turned down on appeal — with the inspector saying that the town's special character was "too precious to put at risk" — the development might never harmon

Now, though the developer bas agreed with the council that the hous-ing will be phased, the Aldeburgh Soci-ety seems to have little faith that the agreement will be respected. As one of its members, Richard Keana, a local solicitor and former mayor, points out, "there will, in any case, be 150 houses in phase one, starting now."

As for the extra 100 housing units that have been granted this year, Mrs Browning suggests it adds insult to injury. The town feels "very unfairly treated," she says. In reply, Mr Schofield quotes housing pressure – noting that for Aldeburgh and the other small towns in the district, this is swelled by the need, approved by central govern-ment, for some 700-900 extra houses to meet the demand generated by the new Sizewell B nuclear power station. And so the arguments go on, in Aldeburgh and across the country. There is inevitably a strong "Nimby" ("not in my backyard") element in the conservationists' case, Local citizens contest, for

example, the planners' assertion that there is need (as opposed to demand) for so much new housing, and both sides argua over the desirability of building more starter or retirement homes. What is most marked, bowever, at a local level is the growing tension between planners and local people, with public confidence in the planning system as a whole greatly weakened.

Can or will Mr Patten do anything about this? Aldeburgh's conservationists seem contined They listened with ists seem sceptical. They listened with hope to the Environment Secretary's

statements at the begining of October – when be announced that be was "minded to refuse" permission for the new Hampshire town of Foxley Wood, and would hope to shift more planning decisions to local people. But they are waiting for flesh to be put on the bones.

waiting for flesh to be put on the bones. For now, as John Trew, an Aldeburgh architect, put it, the change appears "10 per cent real and 90 per cent cosmetic."

Mr Schofield, from his perspective, also expresses scepticism, though be points out that the real significance of Mr Patten's statement was less his decision on Foxley Wood than his suggestion, in an accompanying consultative document on planning policy, that the "special presumption in favour of bousing development should end." Precisely what this might mean will not be known until well after the end of the consultation process in January.

consultation process in January.

Meanwhile Aldeburgh awaits two decisions with some trepidation. The regional planning authorities for East Anglia have recently submitted to Mr Patten their estimates for the housing reads for the 15 more forms. needs for the 15 years following the end of the current planning period in 1996. To the alarm of Suffolk Coastal District, these project the same levels of growth as in the mid-1980s, Local councillors have objected, but wonder whether they will be listened to.
Then there are the Church Farm

Marshes, 265 acres of water meadows only yards from the sea, which separate Aldeburgh from the boliday village of Thorpeness. The marshes are part of East Anglia's Heritage Coast and deemed of exceptional environmental sensitivity by bodies like the Royal Society for the Protection of Birds. Society for the Protection of Birds.

Late last month, the majority of the five lots constituting the marshes were sold under sealed tender without anyone outside so far knowing whether the agent's publicity blurb about them—that they provided "tremendons scope, subject to planning" for the development of recreation and leisure activities—will be allowed to come true.

- will be allowed to come true.

BOOK REVIEW

Governing without economic gurus

could not put down this book (which is to be published on November 23), although I managed to disci-pline myself to read it consecutively, instead of jumping to the chapters where my own

name figured.
Its subtitle, Journalism and Economic Opinion in Britain and America, explains the theme. Parsone originally intended just to study recent developments in the information bosiness, bot was provoked into something more far-reaching. The final chapter, however, "Governing without gurus," takes the author back to his original intention. For he believes that economic theories. ries and academic pundits ries and academic pundits have been among the casualties of the information revolution. We now "confront the prospect of being informationally rich, but knowledge poor." Before being carried away, wa ehould look at Parsons's own eccount of a 19th century trial run. In the early and mid-die part of that century the serious journals were full of expositions of topics such as tariff and currency theory. The advent of the transatlantic cable in 1866, together with increasing American influence and the growth of a wider investing public, encouraged, however, a new brand of jour-nalism more interested in personal financial gain than in ideas. The change was also abetted by the professionalisa-tion of economists, who became more interested in aca-demic respectability than in policy debates.

It was the disasters of the First World War, the Versailles Treaty, the 1929 crash and the Great Depression which brought back political econ-omy. Nearly all the ideas of Keynes were first promulgated in newspapers and semi-popu-lar books and pamphlets.

What I miss in Parsons's book is a concise account of what the various writers were advocating. Indeed his identifi-cation of Keynes with a gener-alised interventionism does the master no service. He does bowever have the excuse that the English Keynesian publi-cists were culpably unreflec-tive about boosting the power of the very same state whose THE POWER OF THE FINANCIAL PRESS By Wayne Parsons Edward Elgar, £28.50

errors they daily castigated. In this they contrasted unfavourably with the American, Walter Lippman, who accepted Keynes's case for public works and counter-cyclical spending, but always insisted that state intervention had to be closely monitored. Another underpleyed antbor is Friedrich Hayek who never fell for the technological trappings which even Friedman embraced and whose work has survived the demise of the media gurus bet-

Unfortunately, the British economic press, which with a few exceptions had little time for Hayek, had by the 1960s "adopted a very narrow and largely macroeconomic agenda which assumed that the main remaining issues were ones of technique." Parsons reminds us that the financial scene did not receive the same rigorous analytical treatment.

But the macroecocomic domination was never total. For the most influential writers on the so-called British economic ase, such as Andrew Shonfiald and Michael Sbanks, based their diagnoses on the snpposed failure of organisa-tion and planning – topics which received no ettention in the formal economics of the period. in Britain it was the journalists who wrote books, attended seminars and became Fellows of Nuffield. By contrast in America it was the prolessors who wrote for the papers, and appeared on television — above all Friedman, Samuelson and Galbraith.

But oow comes the most astonishing part of the story. For the main ideological thrust behind President Reagan's counter-revolution was developed, not by any of the above, but "at the margins of aca-demic respectability" in the editorial pages of the Wall Street Journal, where "supply side economics" was largely invented, its characteristic fea-ture, distinguishing it from the "old-time religion," was an exaggerated belief that tax cuts would either pay for them-selves or could be justified ahead of curbs on spending. Nevertheless to the surprise of the sophisticates, the resulting budget deficits have put pressure on US government spending, largely because of the lingering old-time belief that they matter after all. Thus the more bysterical prognosti-cations about the twin deficits (budget and balance of pay-ments) have so far been falsified by events.

For all the half truths involved in supply-side eco-nomics, it was natural to ask myself whether the Financial Times could have taken a simi-lar lead. Here I can no longer avoid Parsons's extremely gen-erous treatment of my own erous treatment of my own work with appropriate cltations from my books and looger essays, which show conclusively that I have never been the simple-minded monetarist imagined by the old-time British economic establishment. am bappy to be described instead as "an exponent of e popular but extremely sophisti-cated classical liberalism." But even if my colleagues had joined me in a crusade, such beliefs would hardly have set

the Thames on fire.
Neverthcless, there was something to be learned.
Throughout its crusading rhroughout its crusading years, the Jouroal also ran articles by a board of cootributors most of whom were antisupply-siders; and the Finaocial Times now has guest economic contributors on Wednesdays, who sometimes reinforce

and sometimes contrast with the editorial line.

Have all these issues been superseded by the instant com-ments on the latest indicator by a man from a broking firm or bank filmed in front of a computer terminal? Market economists should not complain about changes in the market they themselves face. All the same, the information revolution can make only a limited contribution to the problems of political economy, which will not go away, irre-spective of fluctuations in the numbers following the debate. For they are endemic to buman society.

Samuel Brittan

LETTERS

'Not miserable enough'

From Professor Wynne Godley. Sir, According to the medium term forecast published recently by the London Business School, total ontput will rise (on well dafined ssumptions) at about 2 per cent a year between now and cent a year between now and 1992, e rate of growth which is not enough to keep unemployment from rising towards the end of the period.

At the same time the balance

of payments deficit is forecast to fall from an estimated £19bn in 1989 to £13.5bn in 1992; expressed as a proportion of gross domestic product, the fall is proportionately a little larger, from 3.8 per cent in 1989 to 2.1 per cent in 1992.

This forecast is pretty miserable; nevertheless I helieve able; nevertheless I nelieve that it is not miserable enough. In the first place, the balance of payments deficit forecast by the LBS for 1989 looks on the low side. The deficit would only be £19bn (assuming the statistics are not revised) if the monthly average for the last three months is £1.1bn. This is far lower than the recent run of monthly figures, which aver-aged £20bn for the year as a whole.

whole.

My donbts about the medium term forecast can be summarised by pointing to the fact that the 2 per cent growth rate projected by the LBS is just about the same as the average growth rate which actually occurred over the whole 10-year period 1979-1989.
Yet during this period the balance of payments went from a deficit of £0.5bn in 1979 to

Are there significant grounds for supposing that the huge and discontinuous

improvement in net export demand forecast by the LBS will now take place? I am quite unconvinced. The measured competitiveness of British industry is not very different from what it was in 1979, the cumulative record of manufacturing investment has been exceptionally poor and (partly as a result of this) capacity has been operating at full stretch at least until very

I realise that the export per-formance of British industry has recently improved e bit. But the beneficial effect of this has been largely offset by the stupendous British appetite for imports. If the recent moder-etely improved (net) export performance were to continue, e 2 per cent growth of output would (by my reckoning) be accompanied by no improve-ment at all in the deficit expressed as a proportion of GDP. Expressed at current prices, that would make the deficit at least \$25bn in 1992 —

about double the LBS forecast. All these forecasts are condi-tional on output growing by about 2 per cent a year. The LBS does not draw attention to the possibility that the credit boom will go into reverse. If this were to happen the balance of payments might indeed improve, but this could be at the cost of a severe recession. Wynne Godley, Department of Applied

University of Cambridge

alent to that in most other EC

The cuts in working time elsewhere in Europe since 1980 have spurred managers to improve production processes in precisely the manner you recommend. In Germany the three hour cut in the working

three hour cut in the working week since 1986 has coincided

with record output, profits, productivity and more jobs. In

Britain, it seems odd to argue

that the way forward is to maintain the long hours, low

pay manufacturing economy

Denis MacShane, International Metalworkers

currently in place.

54 bis, route des Acacias

Federation,

Equal EC working hours

From Mr Denis MacShane. Sir, "The Folly of Shorter Hours" (Leader, October 25) appears to have been written in 1979, not this year. Its theme is that the unions are jointly responsible for the parlous state of British manufacturing at the end of the 1980s.

One enduring legacy of 10 years of Mrs Thatcher is that the unions have been tamed; stripped of power and rights. If manufacturing is under-per-forming and starved of investment in 1989, employers are to blame, responding to the direction of Government policy.

What seems unfair is your suggestion that UK manufacturing workers should not seek to enjoy a working week equiv-

Colombia's drug war

From Mr Tim Rothbone MP. Sir, Having just returned from a visit to Colombia to atudy the drug trafficking problem, I must draw your attention to a small but important error in your article on the drugs war there (November

3).
You identify one of the terms of dialogue set by the narcotic terrorist groups as being an amnesty "in exchange for stopping cocaine production." Unfortunately such an offer to cease production has never been on the table — though I wish it had been, and so do those in authority in Colombia. wish it had been, and so do
those in authority in Colombia.
In my conversations there
with ministers and with politicians, the possibility of dialogue was naturally discussed. But, without exception, it was appreciated that no dialogue could properly take place, or lead to any positive conclusion, without a commitment to cease production and trafficking; so at present no serious dialogue

> There are also doubts about narcotics traffickers' readiness to participate fully in the long-established Colombian demo

cratic process. Continuing political assassinations indi-cate no such inclination; withont sncb intent dialogue hardly seems worthwhile. The Colombian Government

and Colombian authorities' commitment to the war against narco-terrorists is proving more successful than is often appreciated, and extraditions appreciated, and extraditions of leading suspected drug traffickers, for trial in the US, continue. Colombian efforts deserve our support — most particularly by carbing demand for illegal drugs here in the UK, by international coin the UK, by international co-operation to control laundering of drug traffickers' earnings, by speedy ratification of the Vienna Convention (providing for – among other things – confiscation of drug traffickers' assets), and by encouraging trade between Colombia and the European Community in the European Community in order to strengthen Colombia's economy and enable it to continue the battle.

Colombia's war is our war. Tim Rathbone, Chairman, All Party Drug Misuse Group, House of Commons, SW1

Minimum is a relative term

From Mr John Tippler Sir, "Observer" (October 27) refers to the 15-month closure of Manslon House Underground station in London "to enabla the work to be com-pleted in the minimum possi-ble time."

When New York's Empire State Building was constructed between 1929 and 1931, the whole operation took 19

months, including demolition of the botel that previously

occupied the site. The Empire State, the talles building in the world for almost 40 years, is still majes-tic and fully functioning. It makes one wonder at the dura-tion of City works.

Successful bridges over the skills gap

Sir, I am surprised that you make a clear cut distinction between the West German model of industrial apprenticeships and the Swedish Japa-nese model of school-based vocational education, as though the two are mutually exclusive ("Bridging the skills

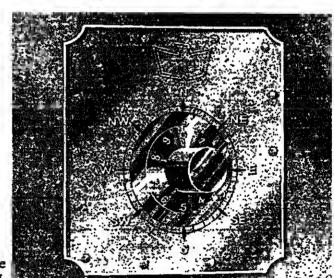
gap," Leader, October 31). Surely what is common to the systems of vocational education and training of these three successful countries is that the attainment of general education is higher for a greater proportion of post-com-pulsory-educated young people than in the UK; and that

employers take an active role in training - not only young people, but over the long term

career of workers.
Employer-ied "on tha job" training, and employees' willingness to learn through inexpeneive correspondanca courses are just as important, m accounting for Japan's accumulated stock of vocational skills. It is inaccurate to describe the Japanese system as "the school- or college-based vocational education." M. Sako,

Industrial Relations Department, London School of Economics,

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NEW GENERATION WITH A MORE MODERATE STYLE Blacks triumph in US elections

BLACK politicians triumphed in Tuesday'a US gubernatorial and mayoral elections. It sig-nalled the emergence of a new generation of black leaders with a more reductive trible.

with a more moderate style.

The cities of New York,
Seattle, New Haven and Durham chosa their first hlack mayors; Virginia will have the first elected black governor of a US state. Their snccessea suggest that there is a formula to beat racial prejudice.

Mr Douglas Wilder, the grandson of slaves, who is set to become the first black governor of Virginia, achieved his particular to the state of the state

narrow victory by running as a "militant moderate", a man of experience and merit who was better qualified than his

Republican opponent.
One rule that Mr David
Dinkins, the victorious mayoral candidate in New York,
might offer is: at all costs steer clear of the Rev Jesse Jackson. Both Mr Dinkins and Mr Wilder kept their distance from Mr Jackson, who is the most prominent black politician in the US, but who highlights

By running as mainstream, establishment candi-dates - rather than as insurgent outsiders like Mr Jackson both Mr Wilder and Mr Dinkins were, in the popular phrase, running as "whites with black faces." Their victo-ries signal the slow emergence of an alternative black political leadership in the US best illus-

By Peter Ellingson in Peking

THERE ARE growing signs that the rift between central

and regional authorities in China is widening as the coun-

try's top policy-making hody, the Communist Party Central Committee, tries to agree a future economic blueprint,

future economic bineprint,
If hardliners led by Prime
Minister Li Peng get their way
wealthy, quasi-independent
provinces like Guangdong – where inflation is running at about twice the
national level of 20 per cent

- may be soon brought under

rigid central control. Already there have been reports that

the province, which borders

Hong Kong, may be forced to impose strict limits on foreign

been prominent in criticising

MEXICO has almost certainly

failed in its attempts to per-

suade banks holding between 10 and 20 per cent of its com-mercial debt to make new loans as part of a debt package agreed with leading creditors in Sentember.

in September. Banks owed about half the

approximate \$53bn in medium

and long-term loans covered by

the agreement have now responded and bankers are

almost sure that those pledg-

ing new loans will not exceed

We know Guangdong has

By Stephen Fidler, Euromarkets Correspondent, in London

property investment.



David Dinkins, victorious in the battle to become mayor of New York and one of a growing band of successful black politicians

Rift widens over China's economic future

trated earlier this year hy the election of Congressman Wil-liam Gray of Philadelphia as House majority whip.
The first wave of black lead-

ers, many of whom marched in the bloody confrontations at Seima, Alabama, and else-where in the Deep South,

bring them into line," a West-

The central committee's fifth

plenum, now under way in Peking, is reviewing the aus-

terity package imposed on the

economy last year, and has

produced deep divisions between hardliners, who want

to extend central control, and

regional leaders who back fur-

ther reform, especially those from Guangdong, Shanghai

and the prosperous coastal

provinces.

The plenum is being viewed as a crucial battlefield between

bardliners and moderate reformers, notably on ques-

tions of economic policy, and

the new appointments to be

made to the party's ruling

While the hardliners look to

Nicholas Brady, the US Trea-

sury Secretary, suggests that it will go to great lengths to

ensure that the package is

Completed.

Depending on the size of the shortfall, the issua could be resolved in talks between the 15-bank advisory committee,

led by Citibank, and Mexico.

Mexican government offi-cials were expected in Wash-

ington today to discuss the package with the US Treasury. However, the official sector

appears firm in opposing the

of their exposure over four

years; to convert the loans into 30-year discount bonds at 65

per cent of face value; or to convert into par bonds with

and there may be moves to signs that two moderates, Zhu since Zhao Ziyang lost the pay wages.

Setback for Mexican debt package talks

ern economist said.

attained office shortly after the passage of the Civil Rights Acts in the mid-1960s. But their gains were largely registered in cities with heavy black pop-ulations. They are men such as Mayor Coleman Young of Detroit and Mayor Marion Barry of Washington DC, both

Rongji, the Shanghai mayor, and Zou Jiahua, Minister for Machinery and Electronic Industry, may fill slots left vacant by disgraced former

party chief, Zhao Ziyang, and Hn Qili, a liberal ideologue. The two men have the backing

of paramount leader, Deng Xiaoping, and are believed to stand a good chance of win-

ning against Li's nominees,

headed by Chen Xitong, the hardline Peking mayor. One of the central issues is

how much of the recent eco-nomic reform should be aban-doned in favour of tighter, cen-

tralised control. The elevation of Zhu, 60, a well liked and entrepreneurial leader who has run China's biggest city for

two years, snggests that the

reformers remain important, though with much less clout

the same face value and carrying a fixed below-market 6%

per cent interest rate.
The bonds are backed by

\$7bn of official resources

- from the International Mon-etary Fund, World Bank, the Japanese Government and

Mexico's own reserves — which will cover at least 18 months of

interest payments and the repayment of principal after 30 years. The new loans carry no

If new loans fall short, there may be insufficient official

cost of the 30-year zero coupon US Treasury bonds which will

guarantee principal payments

of whom are still in office.

The historical trony is that many of these leaders have found themselves presiding over cities with shrinking tax bases, high crime and an exodus of whites – and therefore shrinking political influence.

Morroyver many of the Moreover, many of the "first-wave" black leaders have

found themselves sucked into ethical problems and accusations of corruption. Mr Wilder, 58, who in 1969 became the first black politican to serve in the Virginia state senate since the Civil War, plays a very different tune. A rich lawyer hy profession, Mr Wilder says Democrats must have "a very good record of

Likewise Mr Dinkins, a barber's son from Trenton, New Jersey, who rose to hecome Manhattan borough president, emphasises his experience in local government and commitment to law enforcement – rather than outright commitment to hlacks.

Yet there is room for cau-tion. Both Mr Wilder and Mr Dinkins' victory margins were far narrower than the exit polls suggested. This is the clearest indication that voters were reluctant to say publicly that they bad indeed cast a vote against a black candidate - evidence that racial ten-sions, however latent, are still

power struggle following mas-

sive student demonstrations in Peking earlier this year.

ble following Western eco-nomic sanctions, notably a freeze on World Bank loans,

and Peking's decision to tackle inflation by limiting growth, money supply and the freedom of private entrepreneurs and prosperous provincial enter-

The credit squeeze has already resulted in widespread closure of factories. China's

external debt has soared to

\$40bn, unemployment has dou-

bled to about 4 per cent and wages have come under attack.

According to the official China

Daily, the government's auster-ity package has led to "slug-gish" demand and meant

some businesses can hardly

depends on market prices. The final split between discount

and par bonds - the former use up less collateral - and

tha final count for new money

Mexican banks, owed at least \$5bn. will not receive official

collateral, and may thus decide to opt for new loans.

Japanese have overwhelming favoured the Mexican discount bonds, in contrast with

their response to the Philip

they will make some new loans, hnt most of these are

converting most exposure into

is not known.

China's economy is in trou-

very much present today. Bad news for Bush; Test for Dinkins, Page 8

Colonel Sanders lays on a Hawaiian takeaway

By Robert Thomson

KENTUCKY Pried Chicken Japan, the fast-food chain, is demonstrating its concern at the country's worsening labour shortage hy sending

labour shortage hy sending 5,000 of its workers on a free trip to Hawaii to develop their sense of company loyalty.

There will be five Hawaiian days and four nights at the fast-food company's expense for the employees, whose only obligation is to attend Ruelish-language classes for a English-language classes for a

It is presumed that they will take in a few take-away food stores to watch, as a company official put it, the "selling smiles" of US counter staff. Companies such as Ken-tucky Fried Chicken Japan are particularly vulnerable to the labour shortage, as they are reliant on part-time workers who are now in great demand and whose salaries have risen sharply in the past two years. About 90 per cent of the com-pany's 32,700 workers are

The ratio of job vacancies to applicants was 1.85:1 in August, and it has become commonplace for part-time workers to switch jobs at short notice to take advantage of higher wages, despite tha deep and abiding emphasis on com-pany loyalty in Japan.

A Labour Ministry survey of the service industry found that 48 per cent of companies ques-tioned expected to have a staff shortage by the end of the

Mr Ichiro Takatsuki, the company's public relations officer, said that some Japanese companies offered free overseas trips to a select group of senior staff, but Kentucky Fried Chicken was "sending young people" with the only qualification that they had worked for at least five years

for the company.

The travellers, who will stay at an international hotel, will not be required to give the company any employment guarantees, and "can quit on the next day if they want", Mr Takatsuki said.

He presumes, however, the well-sunned staff will "appreciate how much the company cares for them" and stay on. Hawaii was chosen. Mr Tak atsuki said, because it is a "fast-food battleground" and because staff can learn from watching Hawaiian hospital-

"In the last 10 years we have had training programmes in Hawaii and tha results have been an improvement in morale and loyalty. The idea comes from that."

He said that the company wants to establish a "good image for the long-term" with workers, as "recruiting has become more and more

The 5,000 trips will be offered over three years, with about 1,500 staff travelling next year, about 900 of whom are expected to be part-timers. Each trip is expected to cost the company Y130,000 (\$906), which takes a lot of saving for a part-timer, who is on about Y500 per hour in the provinces and about Y700 to Y800 in the

company's Tokyo outlets. Kentucky Fried Chicken Japan is jointly owned by Mit-subishi Corporation, the glant Japanese trading house, and Pepsico.

Changes come too late Continued from Page 1

leave. "All my friends have gone already," he said. Mike, who took part in mass Mike, who took part in mass demonstrations in Leipzig recently, said: "The atate's worried that everyone's hoping for reunification. The wall's got to come down." He had no confidence that Krenz and a confidence that Krenz and

confidence thet Krenz and a change of guard at the top would improve things quickly. "I'll be 40 or 50 years old before anything really changes."

He would love to buy a Porsche, but is realistic enough not to set his sights that high. "At least you can see them over in the West. In East Germany, the streets are so bad that engines and axles quickly get ruined."

Bahind him, more cars waited as Czech border guards let them through in groups. Over the border, into Czechoslovakia, the line of waiting

slovakia, the line of waiting vehicles was even longer, Mike

vehicles was even longer, Mike said. "You can't even see that far back," he said.

By the afternoon, the crossing at Schirnding was more crowded. Heavy lorries also cross here and yesterday had long waits in both directions.

"It's not going to stop," said one policeman gazing at the steady flow of refugees

Easy money at the building society

The world's equity markets are still being driven by interest rates. The unexpected timing of this week's easing by the Fed has been enough to offset the growing worries about corporate earnings on both sides of the Atlantic. But it would be most enterprising if these compact enterprising if these compacts enterprising if these compacts enterprising if these compacts are recommended. most surprising if these con-cerns did not resurface very

Building societies

imagine a financial institu-tion taking over one of its stronger, and more efficient, smaller competitors for less than 4 times earnings and raiding the target's reserves to pay for the deal. It may be hard to believe when there are preda-tors out there allegedly ready to pay as much as 20 times earnings for a not very profit-able London merchant bank. But the Cheltenham & Gloncester Building Society, which definitely has grand ambitions, seems to have pul-led off this remarkable feat with its planned takeover of Guardian

The C & G has promised Guardian's investors a 4 per cent bonus, payable out of Guardian's reserves, for agree-ing to a takeover which will strengthen C & G's capital position and permit it to enter a part of the market where it was not represented. One won-ders why Guardian's directors did not put the business up for auction, until it is remembered that until very recently when building societies were taken over investors rarely received anything. The Abhey National float changed all that, and now C & G has shown that it needs to-be even more-gener win investor approval for deals
which in other industries
would be regarded as daylight
robbery.

It would be reassuring if a
rival predator — Citicorp, say
— were to surface and offer to

pay Guardian's investors 6 per cent. Even though the building society bureaucracy makes this most unlikely, C & G's move has concentrated attention on the industry's hidden values in no uncertain manner.

J Sainsbury

The stock market battle between Tesco and J Sainsbury for the status of blue chip stock in the food retailing secyesterday. The theory, at its simplest, is that much of the good work has been done at Sainsbury; Tesco is still improving and thus has greater scope for profits growth. And sure enough, the interim results showed Sains-

Sainsbury Share price relative to the FT-A Food Retailing Index

bury's UK operating margins climbing a slender 0.02 per cent; on the day, Sainsbury's shares fell 5p and Tesco's rose

80 85 89

The comparison may be slightly unfair to Sainshury, which was pointing yesterday to a survey showing a better customer profile than its rival. There were also good figures from Shaw's, the group's US supermarket group. However, profits actually fell at Sava-centre, which is waiting for the new hypermarket at Merton to become profitable; at Home-base, volume sales were down

base, volume sales were down on a like-for-like basis.

Times are getting tougher. The shift towards superstores is justified by the better margins and volume growth, but means higher interest charges and capitalised interest. It looks as if the 20 per cent per annum profits growth which Sainshury's has produced so Sainsbury's has produced so consistently in the 1980s will petitors. The recorded music not be achieved this year. The company's excellent record. company's excellent record is fully reflected in the rating, which assuming full year pre-tax profits (without property) of £410m is a prospective 13.5.

Mountleigh

Seven days ago. Moun-tleigh's outside shareholders may not have been comfortable may not have been comfortable with its shares at 132p, less than half net asset value, and gearing at 67 per cent. But at least they had a rough idea where they stood. The bloodless coup by Mr Nelson Peitz and Mr. Peter May has changed all that its warrying features. all that. Its worrying features start with the run-up in the announcement, and go on to months. For many years, Phil-the ease with which the two have gained effective control of of assets producing almost no Mountleigh's undervalued assets by buying one fifth of

Mountleigh the wealth Mr Michael Milken's junk bonds helped them achieve in the US. helped them achieve in the US. Indeed, the two men's record suggests there is more to them than mere leverage. Buying National and American Can for \$1bn, then selling them last year for \$3.5bn, was a coup requiring shrewd management as well Mr Milken's phone number.

number.

But whatever happens,
Mountleigh seems on the way
out as a property company and
facing rebirth as a vehicle for
corporate predators. A clue to
the breadth of their ambitions
is that one of their American
companies. Avery, has \$800m companies, Avery, has \$800m in cash for US takeovers. It is breathtaking that Mountleigh's board should have acquiesced in a deal which could so radically transform the company without trying to make Mr Peltz and Mr May huy the whole thing at a fair price. Ontside shareholders should start querying the deal before it is too late.

Polygram

The proposed flotation of Polygram is a reminder that Philips, its parent, is a com-Philips, its parent, is a company like no other. Polygram's net profits in 1988 were half the previous year's and unchanged from 1985; at the proposed price of F134-F142, the exit p/e is between 17 and 22, around twice the Putch market average. In 1988 Polygram contributed just 6 per cent of Philips's turnover, on flotation it ips's turnover, on flotation it will account for half Philips's

business, despite its chancy and volatile nature, is in some ways similar to the glamorous world of international publishworld of international publishing. Sony, for instance, paid 20 times earnings for CBS two years ago. But Polygram is untypical of its industry: heavily biased to classical music, which though a steadier market than pop is also slower growing; and well ahead of the competition in compact discs, thus having exploited a major thus having exploited a major

source of growth already.

But if the issue gets away even at the bottom of the range, it may be that Philips itself is still underpriced, despite having outperformed the Dutch market by nearly 50 cent in the past twelve return. The treasure is now being extracted; the unanthe equity.

Theoretically, Messrs Peltz and May could produce for strategy for the proceeds. swered question is whether the

pines debt package where most seem set to make new loans. Citibank, the largest single 10 per cent. However, the failnre to resources to back the bonds and Mexico may be unable to cover its financing needs over provision of any more official creditor with exposure of about \$2bn, is the only bank known to have converted just about finance for the package. achieve this target does not necessarily spell the collapse of a deal which has been fraught Under the agreement, Mexico's 400 or so bank lenders the next four years. There remain important all its exposure to new loans. A number of others, including Bank of America, have said have three choices: to make new loans totalling 25 per cent with difficultias from the unknowns, however, which make it impossible to say how large the shortfall will be. The

age's status as the first covered by the new international debt strategy launched by Mr Japan shows 'little flexibility' over trade

beginning.
The importance attached by
the US to Mexico and the pack-

US-Japanese trade talks, seen as vital to the Bush Administration, produced disappointtration, produces usappoint-ing results this week with the Japanese side showing "very little flexibility" in acknowl-edging market access problems embedded in the Japanese economy, according to US offi-

Mr Charles Dallara, assistant US Treasury Secretary, who participated in the talks along with other key sub-cabinet offi-

By Nancy Dunne in Washington THE second round of cials, said the Japanese showed US-Japanese trade talks, seen little flexibility in "reaching common ground on the nature of the problems, even problems which do appear to be widely

> structural problems which underlie the trade and current account imbalances.
> The Bush Administration

recognised in Japan."
Furthermore, the delegation was unwilling to look at "new additional steps" to address the

WORLD WEATHER

has promoted the "structural trade initiative" talks as the

hest available method to reduce the frustrating \$50hn US trade deficit with Japan, which US officials contend threatens the world economy.

The American side hopes

The American side hopes that through reasoned arguments, emphasising potential gains to Japanese consumers, the Japanese will agree to begin structural changes in its economic system. These have been identified by the US as: a distribution program with allege. distribution system with alleg-edly anti-competitive trade practices; a pricing mechanism, which the US said does not sufficiently reflect the high value of the yen; "keiretsu relationships" through which Japanese corporations exclude foreign companies; land use policies and other exclusionary

policies and other exclusionary business practices.

The one tangible result of the talks was release of a joint pricing study, conducted last month by the US Commerce Department and Japan's Ministry of International Trade and Industry. The survey of 122 hrand name products, purchased in New York, Chicago, Tokyo and Osaka, found that 84 were priced higher in Japan 84 were priced higher in Japan than in the US.

Of the 22 capital goods stud-ied, 15 were more expensive in

Japan than in the US. Of these, five were Japan-made, three were US-made, seven were produced in third countries. Six of the aeven products price lower in Japan were Japanese-made and one was American-made. No third-country prod-uct was found to be priced lower in the Japanese market. Mr Michael Farren, the US

Commarce Underaccretary, said that the price differences can be traced directly to the structural impediments in the Japanese economy. The Japanese negotiators, denied that conclusion and said a committee of the Liberal Democratic Party had been formed to specifically study the issue.

The talks, to be held every other month, are expected to produce a preliminary report in April with a "blueprint" for action. The Administration is under tremendous pressure from Congress to produce sub-stantial results through tha talks. Secator Max Baucus. chairman of the international trade subcommittee, said that if the talks are "unproductive" he will introduce legislation to try to force the Administration to take stronger action.

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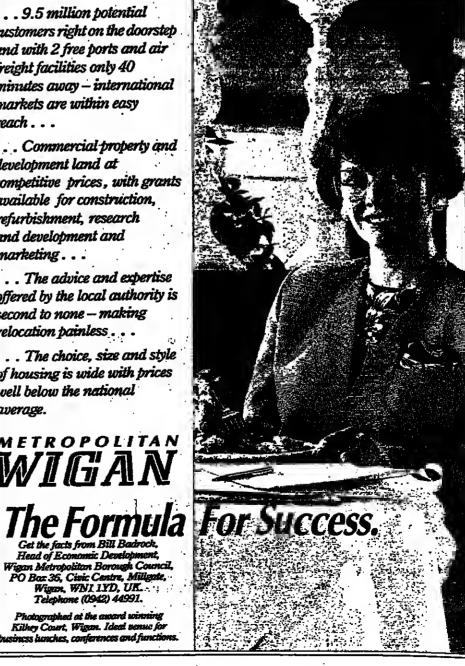
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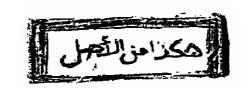
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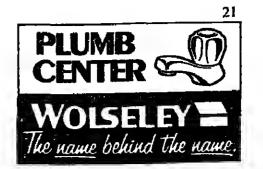
Photographed at the award winn





FINANCIAL TIMES COMPANIES & MARKETS

Thursday November 9 1989



INSIDE

Hungarian farms fall under the plough



New laws give farm co-operators the right to buy back their land and co-operative chairmen, once state nominees, are now alected. On January 1 food price controls and farm subsidies will disappear, and soon, the highly-trained managers of Hungary's large co-operative farms will see the dismanting of a restrictive pay schame. The removal of most state support Hungarian farmers lear mey usher in a restrict of choose. period of chaos. Page 36

Heard it on the grapevine

Stock market rumours are easily laughed at by those in the know, but some appear plausible, and in West Garmany such gossip is thriving. Sometimes, of course, rumours turn out to be true — but even smoke without fire can give ahares a temporary boost. Where do the false tales come from? In it traders trying to brighten a dull day, or professional investors looking for a quick killing? Page 48

Sticking to its knitting



13. 11. 12.

i de

Hamburg-based Otto Versand is big in mail order — and happy to stay that way. Unlike other companies, such as its West German rival Quelle, the company founded by Werner Otto (laft) has not developed retail stores to complement its catalogue sales.
Rather, it has stuck to its
origins and shown an
acquisitive streak that has made it the world'a

biggest international mail order company and . a name that is increasingly familiar to interna-tional bankers. Haig Simonian reports. Page 22

Joining European fragments

US investment bank J.P. Morgan claims it has a stronger presence in Europe than any Euro-pean bank. But its successful strategy of employing locals and blending with the customs of each country has a negative side — the bank's efforts are fragmented at country, level; Earlier this year, the group restructureds in Europe with some strategic pan European appointments: Page 26

Belliway's geographical cushion



House-builder Bellway raised its pre-tax profit 21 per cent to 217m in spite of fewer sales at lower prices in the south. "The house building industry is going through a difficult period because of the Government's determination to

means of high interest rates, but our geographical spread has helped to cushion us from the worst effects," said Mr Kenneth Beil, chalrman:

Market Statistics

Base lending raine Benchmark Govt bonds European options exch FT-A indices FT-A world indices FT int bond service Financial futures Foreign exchanges London recent issues

London share service . London traded options London tradit, options Money markets
New Int. bond issues
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World committely prices
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UK dividends associaced
Unit trasts

Companies in this section

Air Canada Anglo Group Batleys Bellway Bibby (J) Bimee Industries Bond Corporation Cincinnato Milacron Clydesdale Bank

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Chief price changes yesterday

LONDON (Perice)

Polygram issue could raise \$700m

THE INTERNATIONAL flotation of shares in Polygram, the recorded music company owned by Philips, the Dutch electronics group, could raise as much as

The long-awaited flotation moved a step closer yesterday with the announcement of a price range for the initial public offerings of \$16-\$20 a share for the US issue and Fl 34 to Fl 42 for the issue in the rest of the world.

Philips, which owns 100 per cent of Polygram, says that as many as 35m shares will be floated. Of these, 22m are shares being sold by Philips, 10m are

shares being issued and sold by Polygram and 3m are additional shares which will be made available if demand is strong enough. Philips will be left with around 80 per cent of the equity after the deal. About 44 per cent of the issue will be placed in the US and

the remaining 56 per cent in the remaining 56 per cent in the rest of the world.

Polygram is one of the three largest record companies in the world – acquiring, producing, marketing and distributing recorded world in 20 constricts. recorded music in 29 countries.

With more than 18 per cent of the global market, it claims about half of the classical music

sector and roughly 16 per cent of the popular music sector. The lat-ter, however, generates 70 per

cent of group turnover.

Proceeds of the sale will be used to finance the acquisition of A&M Records of the US, which is expected to take effect on January 1, 1990. Polygram also took over Island Records of the UK in July. The two companies together are costing more than \$730m.

The issue price range implies a price/earnings ratio of between 20 and 25 on the basis of accounting principles in The Netherlands. Income data provided in the pro-

spectus shows that on this basis Polygram's net of tax profits rose from Fl 191m (\$91m) in 1987 to Fl 262m in 1988. In the first half of 1989 the company's unaudited net income was F1 148m com-pared with F1 80m in the first six months of 1988. That is somewhat on the lower side of industry averages, which have been boosted by a wave of takeovers.

The shares will be listed on the New York and Amsterdam Stock Exchanges. Subscriptions will open after the US Securities & Exchange Commission approves the prospectus.

Philips originally planned pub-

licly to float part of Polygram in October 1987, but scrapped the deal after the global stock market crash. Last month's "big dip" in the international equity markets was shrugged off by Philips and

Prudential-Bacbe, which was supposed to lead manage the 1987 offer, is finally landing its fish. It will be global co-ordinator and will co-manage the US offer with Merrill Lynch, Morgan Stanley, Drexel Burnham and Goldman Sachs. Credit Suisse-First Boston will lead manage the interna-tional offer.

Paribas lifts bid to cover 100% of **Navigation** Mixte stock By George Graham in Paris

PARIBAS, the French investment banking group, yes-terday extended its bid for Com-pagnie de Navigation Mixte, the food-to-financial services con-

food-to-financial services con-glomerate, to cover 100 per cent of its target's shares, while leav-ing the other terms of its cash and paper offers unchanged. Mr Michel François-Poncet, the Paribus chairman, said that in conversations with Navigation Mixte sharebolders it bad Mixte sbarebolders it bad become clear that some institu-tions were worried by the pros-pect of being left with a residue of the company's shares, which would be likely to fall substan-tially in price once the bid was closed.

"We are interested in keeping "We are interested in keeping Mixte as a listed holding company within the Parihas group, but we do not want to keep minority sbarebolders who might feel ill at ease," he said.

The bid, of FFr1.850 in cash or three Paribas shares for each Navigation Mixte share, valoes the group at FFr25.6bn (\$4.1bn) after full dilution from the exercise of convertible bonds and

After the extension of the offer, Paribas could face a cash outlay of up to FFr21bn. Paribas officials said, however, thet the ontlay was more likely to be between FFr4bn and FFr9.5bn, because some investors would probably not accept the offer and others would choose the paper

At the start of the Paribas offer, Navigation Mixte's shares soared well above the FFr1,850 proposed, as a number of share-holders represented on the com-pany's board bought heavily in the market.

Since then, however, tha price has sunk, closing at FFr1,824 on Tuesday. Trading yesterday was suspended because of the modification of the Paribas offer.

Mr François Morin, Paribas managing director, said that only 2.46 per cent of Navigation Mixte's capital had changed hands since the bid was launched, and two-thirds of that volume had been on the first day of trading. He warned that there was no

counter-bid on the table from the Navigation Mixte board mem-bers who had been buying in the market, and that the share price was likely to collapse after the Parishes hid closed

Mr Marc Fournier, chairman of Navigation Mixte, bas said, however, thet his core shareholders control "close to the majority" of the company's capital. Time to take war to enemy, Page

A change of pattern shows up the cracks

Alice Rawsthorn looks at the problems facing Coloroll

r John Ashcroft has all the trappings – the sharp suits, the portable phone and the telephone number salary – of the model manager of the Thatcher years. And like so many entrepreneurs of the 1980s, the chairman of Coloroli has come a cropper.

come a cropper.

Since the start of the decade, Coloroll has been transformed from a tiny Lancashire wallpaper mill into a home products group selling everything from crockery to carpets. But this year it has suffered from the slowdown in consumer spending and the slump in the housing market. At the same time, it has been hit by a hefty increase in the interest payments on its own borrowings. Whan its interim results are unveiled next Thursday, Coloroll is expected to announce that pretax profits for the six months to September 30 have halved from

September 30 have harved from \$20.5m (\$32m) to just over £10m. Its share price, down 12p to \$3p yesterday, is at an all-time low. In the last few days Coloroll has been clouded by speculation. One rumour said it had severe cashiflow problems. Another that the banks were putting pressure on it to make disposals. Mr Ashcroft. Coloroll's chairman, is croft, Coloroll's chairman, is swift to quash the speculation.

"I do not know where all these rumours come from," he said. "The banks have enough trouble running their own businesses without telling us how to run Even the ebullient Mr Ashcroft admits that the current trading

climate could scarcely be less Only a year ago Coloroll was emerging from an era of expansion culminating in a bitter 2207m bid battle for the John Crowther textile group, conducted with all the arrogance and

aggression that has characterised the company since Mr Ashcroft arrived in the late 1970s. He has staffed Coloroll with

managers cast in his own mould, the "MBA-barrow boys", as he calls them. The company is runby the sort of people who spend their working days spouting his own brand of business school jargon ("management democracy is everyone agreeing with what the everyone agreeing with what the leader wants" is a favourite phrase) and their weekends haul-ing themselves over suny assault

In the mid-1980s Coloroll was a stock market star. But it fell from stock market star. But it fell from favour after the 1987 crash. There were doubts about the logic of buying Crowther, a far larger company with a troubled history. Coloroll bad also strained inves-tors' loyalty with its apparently endless acquisitions. But the housing market was

booming. Consumers were spend-ing more money on their homes. The Coloroll strategy of building a group of businesses making products for young homeowners was still successful. The senior was still successful. The senior directors felt able to the test themselves to generous pay rises last year. Mr Ashcroft's own salary freblad to \$517,000.

But the boom is over. The increase in interest rates has taken a toll on sales of home products. The slowdown started late last year and became more serious last spring. By the summer, Coloroll saw sales fall in many of its leading markets. Sales of wallcoverings, the tra-ditional base of its business,

increased sales by 10 per cent in the first quarter of the year only to fall by 5 and 6 per cent respec-tively in the second and third quarters. There has been a simi-lar pattern in filled products.— rose by 20 per cent in the first and second quarters but slipped by nearly 10 per cent in the third. The furniture business has also suffered a sharp slowdown in

The picture in carpets is patch-ier. Kosset, one of the Crowther companies, is still increasing sales. The original Coloroll carpet company is losing voluma and the contract carpet subsidiary is stable. However, the home tex-tile, ceramic and glassware busi-nesses are all enjoying healthy growth.

hese operational problems have been aggravated by heavy borrowings. Coloroll's gearing rose after the Crowther deal and its stock levels have increased since the slow-down. It ended its last financial year to March 31, with net debt as a proportion of shareholders' funds of 66 per cent. Its interest payments almost doubled, because of the rise in base rates, to about 510m in the first half of

to about flom in the first half of this year.

About half of the forecast flow fall in interim profits is attributable to higher interest charges, and the other half to difficult trading. Most of Coloroll's markets are now slightly more stable—albeit at a low level—but profits for the full year are expected to tumble from £56m to £25m.

Given that there is no immediate prospect of a fall in interest ate prospect of a fall in interest rates, the only option is retrenchcroft, is to bring down borrow-ings. The proceeds from the sales of MCD and Brinkmans, its carpet distribution companies, should reduce gearing to about 50 per cent by the end of the year. There may also be asset disposals. Although Mr Ashcroft



John Ashcroft: frustrated that the group's era of expansion is over

insisted that Coloroll would not sell its core businesses.

The second priority is to cut operational costs. Coloroll has already cut capital expenditure and has halved its advertising didd he said by the "new obal". and has halved its advertising budget to les than £3m. There may also be some reorganisation in carpets and furniture.

Whethar the "MBA-barrow boys" will be around for long enough to implement thesa changes is donbtful. Coloroll's share price is now so low that it is very vulnerable to a bid.

As for Mr Ashcroft, he relished the era of expansion and bid bat-tles and is clearly frustrated that

when "everything was fine and there was nothing for me to do". But his interest had been rekin-died, he said, by the "new chal-lenge" of coping with the slump. He was still convinced that the Crowther acquisition made strategic sense, but said that "in hindsight" it might have been better not to have incurred such high borrowings before a reces pany? "The honest answer is I simply do not know," said Mr Ashcroft a future as an independent com-

Imro had probed Duménil trusts By John Edwards in London

DUMENII, the UK subsidiary of a French-based financial services group which suspended dealings this week in all 11 of its authorised unit trusts, had been investi-gated earlier this year by the investment Managers Regulatory Organisation.
Mr John Morgan, chief execu-

tive of Imro, one of the self-regulatory bodies under the Securities and Investments Board, con-firmed the probe but did not say why it had been launched or what the findings had been. Some 12,000 unit-holders have a total of £33m (\$52m) invested in the 11 Duménil funds, and are

effectively locked in until the suspension is lifted. No other group is ever known to have suspended dealings in all its unit trusts, apart from tamporary trading halts after October 1987 crash. Howaver, there is allowance for suspension under misulation 28 of the SIR's pricing allowance for suspension under regulation 28 of the SIB's pricing

regulations for unit trusts.

Dealings may be suspended at the instigation of the managers, with the prior approval of the trustees, if it is deemed to be in the interest of unitholders, or by the managers if requested to do so by the trustees. so by the trustees.
In both cases the SIB and the

self-regulatory organisations con-cerned have to be notified of the reasons. Trustees are also required to take reasonable care to ensure that the methods used for pricing are carried out cor-

rectly.

Both trustees, Coutts & Co and the Midland Bank, confirmed yesterday that they had acceded to a request by Duménil to suspend dealings after a meeting which included the regulatory organisations. They stressed that the assets of the trusts had been, and continued to be under the control of the trustees. Under regulation 28, the sus-

pension should be lifted within one month, but this period can be

Mr Nigel Merrick, Duménil's sales and marketing director, said it was confident that investi-gations by Touche Ross, as reporting accountants, which started on Monday into pricing errors in the cancellation, bid and offer prices for units, would be concluded within a month.

he concluded within a month.

He said outside valuations of shares held by the funds, carried out by the WM Company, were not being questioned. The investigations were solely in-house.

Mr Merrick said Dumenil had spotted that some prices were inaccurate and this had led to the request for suspension while the request for suspension while the problems were identified.

In Paris, Duménil's parent company said it hoped the inves-tigation into pricing would be concluded as soon as possible.

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WE'RE ADDING VALUE AT BRITISH STEEL.

Sainsbury profits rise midway

By Maggle Urry in London

J SAINSBURY, the UK foods group, disappointed the City yes-terday with interim results below best expectations.

The group's usual habit is to provide pleasant surprises with its figures. However, after yester-day's news, its shares fell closing down 5p at 256p, in spite of the general rise in the stock market. In the half year, pre-tax profits were ahead by 15.4 per cent to

2215.Im (\$338m), on group sales up 21.4 per cent at £3.7m. How-ever, for each of the last 10 years Sainsbury has increased profits by 20 per cent or more.
Lord Sainsbury, chairman, said
he was "delighted" with an
increase in the supermarket

chain's market share from 10.9 cent profit growth target. per cent to 11.3 per cent. Stockbrokers, though, said that the marginal rise in the chain's operating margins from 6.6 to 6.7 per cent was disappointing.

The food chain increased sales Margin growth was held back

by 14.1 per cent to £2.9bn and operating profits by 16.2 per cent to £198.2m. Mr Ewan Davidson, treasurer,

said sales in existing Sainsbury stores showed a 1 per cent increase in volume, although in the larger, more than 25,000 sq ft stores, volume was up 4 per cent. Price increases were about 5.5 per cent, he said, and the rest of a sales increase came from new

He added that in the current period of economic uncertainty the group had been right to concentrate on volume and market share rather than margins, implicitly admitting that the group had abandoned the 20 per

The group ran an advertising campaign earliar this year emphasising its price competitiveness against other food retail-

by increased advertising costs, a rise in rents following the sale and leaseback of a number of stores and opening costs of new

The interest bill rose, reflecting the high level of capital spending. Wage costs were rising faster than the level of food price inflation, Mr Davidson said.

The group's US food retailer, Shaw's, achieved a stronger per-formance, increasing sales and operating profits in dollar terms. by 13 per cent and 39 per cent respectively.

In sterling, the increases were even larger, making £16m at the operating level.

Other parts of the group, notahly Savacentre, the hypermarket business, and Homebase, the do-it-yourself chain, demonstrated that Sainsbury is not immune to the general malaise in

Lex, Page 20; Details, Page 30

How can an empty can help the environment

From tins to dins. We're also doing something

Buoyant ABB forecasts steady earnings growth

ASEA BROWN BOVERI (ABB). the Swedish-Swiss electrical engineering group, yesterday reported that profits after financial items rose 54 per cent to \$610m for the first nine months of 1989, compared with \$395m a year earlier. Sales climbed 15 per cent to \$14.1bn. Earnings in the third quarter

rose 59 per cent to \$214m and the company forecast that profit growth for the rest of the year would continue at the same pace. Profits in 1988 amounted to \$560m.

The power plant, power transmission and environmen-

tal protection divisions posted particularly strong earnings growth while good profits were reported in the robotics and superchargers businesses and from some installation material companies.

Orders increased 21 per cent to \$15.9hn. ABB said it had received "substantial increases in orders" in the power plant, power transmission and industry husiness segmants. The

received three orders totalling \$132m for production equip-

ment in Japanese pulp mills. The order figure excludes orders received hy Brel, the UK railway vehicle manufacturer which is 40 per cent owned by ABB. Brel recently received a \$580m contract to build 680 vehicles for the London Underground and a \$200m order for 50 trains from British Rail.

ABB's order backlog at the end of September was \$17.9bn. Profits after financial Items at Asea, the Swedish half of ABB, rose 62 per cent to SKr4.23bn during the first nine

The figure includes its share of earnings from ABB. Exclu-ding ABB income, profits rose 67 per cent to SKr2.1hn

Asea sales increased 20 per cent to SKr93.4bn, while orders rose 27 per cent to SKr105.4bn. Brown Boveri does not issue a nine-month report. A more comprehensive nine-month report for ABB will be releas

US businessmen buy Mountleigh holding

By Paul Cheeseright, Property Correspondent, in London

TWO WEALTHY US entrepreneurs yesterday gained effective control of Mountleigh, 163p, having risen 34p in two the UK property group with a portfolio worth £660m (\$1bn), against a background of rising disquiet in the City of London. Mr Nelson Peltz and Mr

Mr Neison Peltz and Mr
Peter May have hought for
£70.4m the 22.5 per cent holding in Mountleigh – made up
of directly owned ordinaries,
convertible preference shares
and options – owned by Mr
Tony Clegg, chairman and
chief executive. They paid 200p
a share. The more than the a share, 71p more than the

a state, 717 more than the market price on Monday.

The rise in the share price on Tuesday and yesterday, before the afternoon announcement of changes in the Mountieigh equity, has raised fears among brokers about the possi-

At the same time investors in Mountleigh are angry that this is the second time Mr Clegg has disposed of his holdings at a price higher than that available to other investors. In October 1988 he sold his 5,4 per cent holding to a consortium of directors. He bought back into Mountleigh last March.

Mesars Peltz and May have stated they have no intention of making a general offer for shares. They have also made it clear that Mountleigh will diversify and could sell some of its property assets. They see the company as a vehicle for estment in Europe.

Nine-month profit at Statoil

By Karen Fossii in Oslo

surges 54%

STATOIL, Norway's state oil company, increased nine-month operating profit hy 54 per cent to NKr7.6bn (\$1.09bn) from NKr4.96bn a year earlier, heiped by higher crude oll prices and increased crude oil production volume.
Profits before extraordinary

items soared 87 per cent to NKr5.6bn in the period while operating income improved by NKr11.4bn to NKr51.7bn. Statoil said a further factor contributing to its improve-

ment was a cost savings pro-gramme which, by the end of the third quarter, saw costs cut by more than NKr800m.

The exploration and production side had an operating profit of NKr7.1hn against NKr4bn. Profit before extraor-

dinary items increased to NKr5.8bn from NKr2.6bn. However, operating profit in the petrochemicals business unit declined to NKr700m from NKr928m while profits hefore extraordinary items slid to NKr636m from NKr866m. The fall was due to a downward price trend this year for petrochemicals prod-ucts and to two plants shutting down for upgrading and

The refining and marketing division posted operating losses of NKr73m compared with a profit of NKr22m last

RJR Nabisco in Spanish deal

RJR NABISCO, the US foods and tobacco group owned by Kohlberg Kravis Roberts, has agreed to sell its Nabisco food businesses in Spain and Portu-gal to Tabacalera, the Spanish state-owned tohacco group, for Pta9.3hn (\$80m), Renter

reports.

RJR said Tabacalera would buy RJR's 50.5 per cent interest in Galletas Artiach, Marbu to Calletas Artiach, Marbu to Cal and Nabisco Brands España in Spain – Tabacalera already owns the other 49.5 per cent of each — and RJR's wholly-owned Nabisco Brands Portugal Comercio E Industria, as well as trademark rights in

Acquisitive Otto Versand scorns safety-net

Haig Simonian on the West German mail order group's successful expansion strategy

or those who still see mail order as a way of peddling old-fashioned goods to old-fashioned people, Hamburg-based Otto Versand, the world's biggest international mail order company.

Set up by Mr Werner Otto in 1949 and now headed by his son Michael, the privatelyowned group is among the top three mail order houses in western Europe, rubbing shoul-ders with Quelle, another prigroup, for the top slot at home. But no company, including Sears, Roebuck of the US, rivals Otto Versand in its global coverage. Turnover in

gional coverage. Turnover in 1988-89 rose almost 10 per cent to DM13.3bn (\$7.2bn), while net profits, which are only revealed for its German business, improved to DM135.5m from DM104.5m after allocations. tions to reserves. Rathar than following

Quelle's lead in developing retail stores to complement catalogue sales, Otto Versand has stuck to mail order. But it has shown an acquisitiveness which has made its nama increasingly familiar among international bankers, notably in mergers and acquisitions. Mr Horst Hansen, finance director, explains: "The first cision was whether to con-

centrate on mail order, or to develop stores as a safety-net "We decided to concentrate on our business and grew by buying hig foreign mail order

By following that strategy Otto Versand now covers most of western Europe, as well as

the US and has an embryonic trade in Japan. Foreign sales account for just over half of

group turnover. Much of the foreign trade is divided between 3 Suisses, one of the top mail order basisses in France in which Otto Versand has an "official" stake of 50 per cent although, by all accounts, it owns more, and Spiegel, one of the biggest mail order houses in the US, which was bought in 1981.

Both illustrate the group's strategy of careful foreign expansion, with the companies acquired being used as spring-boards for local growth. Thus 3 Suisses has gradually developed a hroader range of

catalogues, covering increas-

ingly specialised markat niches, and has purchased a niches, and has purchased a string of smaller mall order companies to complement its geographic and product range.

"When we huy a mail order company in a country in which we're already active, it's always one which tackles a different social or demographic sector," says Mr Hansen. The npshot is that 3 Sulsses now rivals La Redoute as the marrivals La Redoute as the market leader in French mail

he 3 Suisses group has allowed expansion into neighbouring European countries, having acquired the higgest mail order group in Spain. It has also become the largest mail order business in Relgium.

Strategy is much the same in the US, where Otto Versand followed up the acquisition of Chicago-based Spiegel by buy-ing last year Eddie Bauer, a



Werner Otto: founded mail order group in 1949

leading men's clothing group.

According to Mr Hansan Spiegel, which had group sales of \$1.4bn and pre-tax profits of \$92.5m last year, is a "fashionable department store in print," while Eddie Bauer is a byword for men's outdoor and

The two purchases highlight Otto Versand's knack in avoiding overlapping acquisitions while developing complemen-

tary links.
Although Spiegel is geared to female fashions and Bauer to leisure-minded males, they are linked by a conceptual simare inner by a conceptual saintiarity which targets customers who are upwardly mobile and career minded and who choose mail order on grounds of convenience. Hence the potential for joint marketing is

As Mr Hansen points out, it

is addresses as much as products which are the key to any modern mail order husiness. No acquisition makes sense if it just brings a similar hunch of names to those already held in the company's powerful

The US businesses also highlight the increasingly important "convenience shopping angle to mail order in devel-oped markets. That thinking explains why Otto Versand's criteria for expansion are so different from those expected, given the continuing image of the husiness in the UK as being geared chiefly towards rural communities or lower-income regions.

Otto Versand has three priorities governing expansion:

There must be a fully developed economic system, based on free-market competition. Success depends on a highly efficient infrastructure, including a good postal service, transport links and financial

• A country must have a relatively high gross national prod-uct and, most important, be relatively densely populated. Hence Scandinavia, an obvious candidate, is of little interest because of its relatively sparse population densities, large dis-tances between population centres and tha variety of languages spoken. Likewise, eastern European

states' non-competitive economies rule them out in spite of the interest shown hy groups such as Quelle. Eastern Europe has also heen "absolutely unimportant" for Otto Versand on the manufacturing side, as state-sector producers cannot

quality required for fashlons, Mr Hansen says.

The UK, where Otto Versand has regularly been tipped as a potential bidder, remains the

most obvious gap in its expan-But rather than a takeever, the group has decided on a joint venture with Fine Art

Developments, the greetings card and gift maker and dis-Elsewhere in Europe, Otto Versand earlier this year bought a 75 per cent stake in Euronova Helvetia, the third

higgest Italian mail order house, with aales of about L170bn (\$126m) this year. Otto Versand already occupies the number three position in Holland and last year it acquired a 65 per cent stake in ModenMüller, the leading mail order business in Austria

ut it is Japan, where the group has set up a joint venture with Sumitomo Corporation, one of the country's leading trading houses, which holds a particular attraction.
Mr Hansen says: "Japan is

the one exception to the rule that mail order flourishes in a country with a highly devel-oped and competitive economic

The business was virtually unknown in Japan until about 10 years ago. By the end of the venture's second year, sales are running on target at about

With double the population of Germany and a "fantastic infrastructure," Japan "offers an unbelievable potential."

Cologne Re leaps to DM22.7m | NY court finds Travelers

By Haig Simonian in Cologne

NET profits at Kölnische Rāckversicherung (Cologne Re), West Germany's oldest reinsurance group, jumped 40 per cent to DM22.7m (\$12.3m) last year due to strong premi-ums growth, a limited number of large claims and improved

investment earnings.
Group gross premium income climbed 20.5 per cent to DM1.99hn, assisted hy tha weaker D-Mark which swelled foreign premiu According to Mr Jürgen Zech, chief executive, premium

income should climb again in the current year, although by a smaller margin, with a rise to shout DM2.1bm.

While the cost of claims is likely to increase appreciably following a number of catastrophes, such as Hurricane Hugo and the California earthquake, the group expects profits to improve further because of higher investment earnings. Cologne Re had been "lucky"

considering tha size of this year's disasters, Mr Zech said. In 1988, underwriting losses

increased to DM57m from DM48m, largely on account of higher costs. The allocation to finctuation reserves rose to DM27.1m against DM12m in

The group defended its deci-sion not to raise its dividend, in spite of the sharp profits improvement, on the grounds that it had given priority to pumping available cash into reserves to maintain its solvency ratios. However, Mr Zech did not exclude the possi-bility of a future increase.

liable for waste clean-up A NEW YORK court has

decided that Travelers, one of the leading US property and casualty insurers, must pay for a government mandated clean-up of a hazardous waste site in Louisiana, writes Pat-

rick Cockburn. The decision has serious implications for other US insurers. Responsibility for the clean-up of toxic waste sites has produced endless litigation between insurance companies and policy holders.

Bnt now the Second US Court of Appeals has inter-preted Travelers' liability poiicy as covering environmental clean-up costs imposed by the government as well as tradi-tional legal damages.

The case was hrought by Avondala industries of Louis-iana, which removes oil from the holds and fuel tanks of ships and sells it for recycling. The ruling went against decisions by two other federal circuit courts.

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Year	Small Cap	Nikkel 225	Topix
1982	18.7	4.4	4.1
1983	27.7	23.4	23.3
1984	33.2	16.7	24.8
1985	53.9	13.6	14.9
1986	30.9	42.6	48.3
1987	68.5	15.3	10.9
1988	97.5	39.9	36.6
1989*	42.4	14.2	10.4

* Figures to 31st August. Source: WICAM (Wako International Capital Management)

Note: Transaction costs and dividend earnings are not included in the tests. Since share prices can fall as well as rise, past performance should not be taken as an indication of future prospects. The funds named above are not collective ment schemes as defined in the Financial Services Act.

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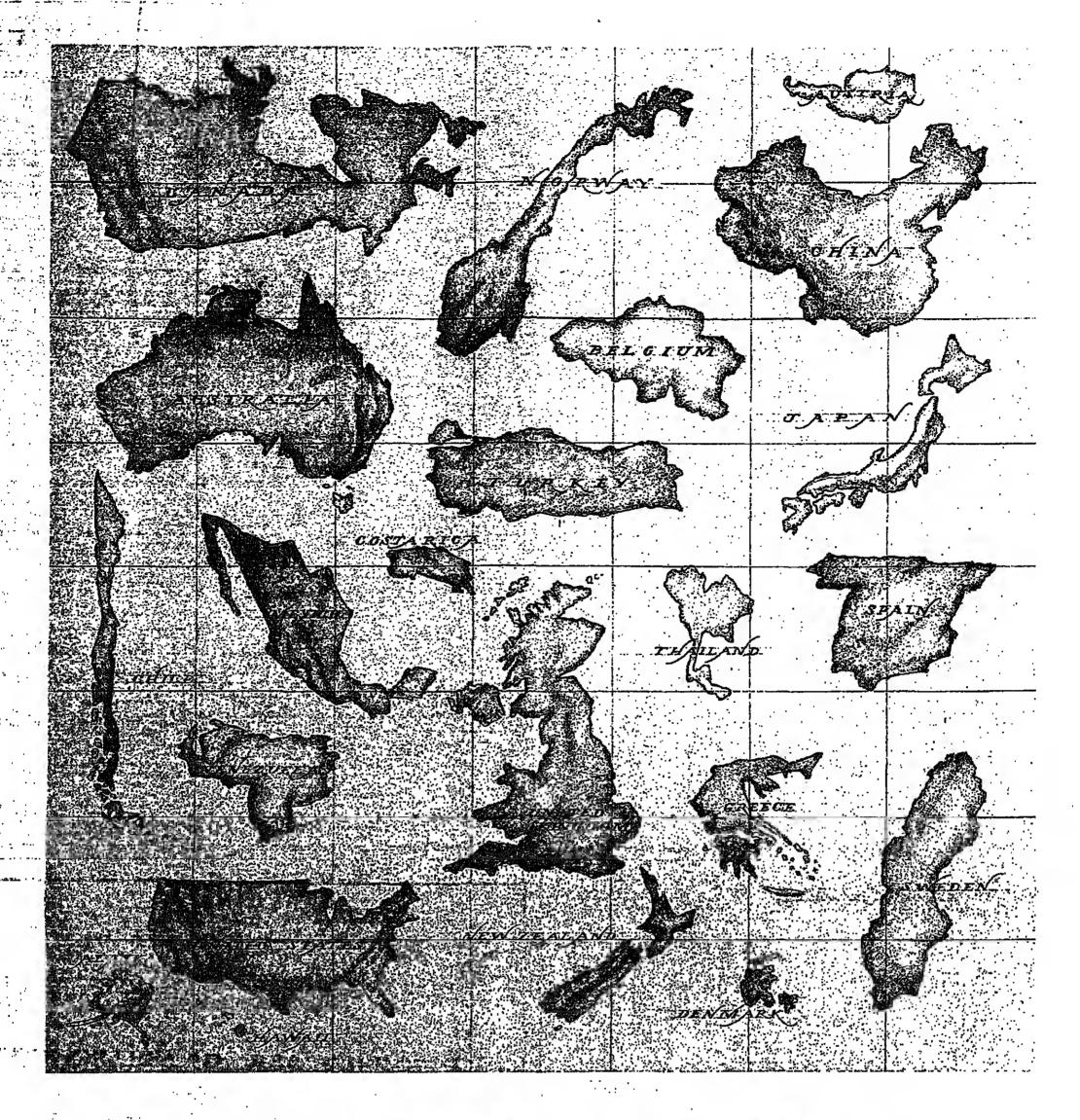
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NOTICE IS HEREBY GIVEN that, with effect from 6th November, 1989, Orion Royal Bank Limited has changed its name to Royal Bank of Canada Europe Limited. All business previously carried out in the name of Orion Royal Bank Limited will be continued in the new name of Royal Bank of Canada Europe Limited.



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INTERNATIONAL COMPANIES AND FINANCE

Traffic fall after bombing tips Pan Am into loss

By Roderick Oram in New York

PAN AM nnexpectedly reported a third quarter loss yesterday because of steep losses on its airline operations during the peak traffic season.

The holding company dropped to a net loss of \$18m from a profit of \$87.4m, or 43 cents a share, a year earlier. A \$18.4m gain from the sale of its Pan Am World Services divi-sion left Pan Am with a net profit of \$458,000 for the latest period. Operating revenues slipped 1.9 per cent to \$1.02bn from \$1.04bn.

Pan American World Airways, its airline subsidiary, turned in a net loss of \$21.9m against a profit of \$52.3m a year earlier. Operating profit shrank to \$18.7m from \$89.2m. The company said it continued to suffer from declining traffic and fare yields on Atlan-tic routes and increased com-

CINCINNATI Milacron, the

biggest US machine tool manu-

orgest US machine tool manufacturer, reported a sharp decline in third-quarter earnings although the company said its sales and order rates were steady and that the backlog of unfilled orders was at its highest large.

petition on its internal German routes. Yields fell to 9.82 cents per passenger seat mile from 9.54 cents.

Profits from its strong sum-mer season has traditionally kept Pan Am going during the lean winter and spring months. However, it suffered this year from declining traffic after the bombing of Pan Am flight 103 over the Scottish town of Lockerbie shortly before last Christ-

The airline's financial performance also suffered. Aircraft and ground rental costs rose 17.6 per cent to \$85.4m, employee expenses rose 5.4 per cent to \$297.7m and fuel rose 7.5 per cent to \$153.3m in the quarter. The carrier has been pushing ahead with plans to improve its eervice and increase its presence in the US, particularly at its Miami hub.

US machine tool maker slides

14 cents a share. Excluding this, year-ago earnings would have been \$6.4m or 26 cents.

Sales in the latest quarter were \$234.5m, virtually unchanged from last year's period when Milacron reported sales of \$244.1m. However,

"Results for the third quarter - our peak season - were clearly disappointing," said Mr Thomas Plaskett, chairman. However, the company was encouraged that revenues were falling at a slower rate and bookings showed an "improv-ing trend."

For the first nine months, Pan Am's net loss was \$158.3m including the \$18.4m gain in the latest quarter, against a net loss of \$21m a year earlier. Revenues slipped 2.4 per cent to \$2.73bn from \$2.66bn.

• UAL rose sharply on a newspaper report that its chairman Mr Stephen Wolf has been cleared to explore possihle transactions for the carrier, arbitragers said. Its stock was up 6½ at 186½, Reuters reports. UAL was not immedi-ately available to comment.

orders was \$410m, up from \$371m a year ago and \$385m at

the end of the second quarter.

Specialist stores lift Woolworth net income

By Kar en Zagor in New York

F.W. WOOLWORTH, one of the largest retail chains with nearly 8,000 outlets world-wide, yesterday reported improved third quarter earnings, due largely to the strength of its specialist

Net income for the three months to October 28 rose 6 months to October 28 rose 6 per cent to \$70m, or \$1.08 a share, from \$66m or \$1.02 a year earlier, on sales up by 10 per cent to \$2.17bn from \$1.97bm. Specialist store revenues improved 18 per cent in the quarter, while general merchandise revenues increased by 4 per cent.

For the first nine months, profits rose 7 per cent to

profits rose 7 per cent to \$154m, or \$2.38 a share, from \$144m or \$2.24, while sales advanced 9 per cent to \$6.93hn from \$5.54hn.

Specialist store revenues for Specialist store revenues for the nine months rose 19 per cent and general merchandise revenues were up 3 per cent. Foreign revenues, expressed in US dollars, advanced 8 per cent, while domestic sales were 9 per cent higher.

Operating profits of US stores rose 12 per cent in the quarter to \$152m. Specialist store operating profits rose to

The profits shortfall was attributed to production delays in certain lines of machine tools and low utilisation rates in plants for robots and co-ordistore operating profits rose to \$99m from \$83m while general merchandise operating profits were largely flat at \$53m.

Air Canada posts gains By Robert Gibbens

AIR CANADA, Canada's national strline, now part of the private sector, went against the North American industry trend by posting good gains in revenues and earn-ings in the third quarter. Net profit went ahead to

C\$7im (U\$\$0r 95 cents a share, up from C\$46m or C\$1.08 a share a year earlier, before the issue of nearly 31m shares.

Revenues rose \$4 per cent

to C\$1.04bn and operating expenses were up 6.7 per cent. In the first nine months profit rose to C\$91m or C\$1.22, up from C\$56m or C\$1.21 on fewer shares.

TLC Beatrice plans to raise \$200m by floating 35% stake

TLC BEATRICE International, a food company controlled by Mr Reginald Lewis, a New York investor, plans to raise up to \$200m by selling a 35 per up to Szitm by seining a 35 per cent stake to the public.

It would be the first flotation of assets once owned by Bea-trice, the Chicago-based foods and household products com-pany Kohiberg Kravis Roberts took private in 1986 in one of

the largest leveraged buyouts It would also make TLC Bea-trice the first black-owned

company on the New York
Stock Exchange.

Mr Lewis, one of the most
successful black entrepreneurs,
acquired most of the international food operations of Bea-trice in 1987 in a \$385m leveraged buy-out.
At the time it was a sprawling hotch potch of 64 compa-nies in 31 countries.

Mr Lewis has since sold off many for a total of \$875m, leav-ing him with a group of some 15 tightly focused, mainly European companies.

The group had operating earnings of \$50m on sales of \$1.02bn last year.

For the first nine months of this year operating earnings were \$52.7m on sales of \$810m. Analysts expect him to use the proceeds of the share offering to pay off the remaining \$100m of buy-out debt and to help fund acquisitions, possi-bly in the US.

Merrill Lynch will offer 18.5m shares in the US and abroad at a target price of between \$9 and \$10.50 a share. Of the total, TLC Beatrice will sell 10.5m shares and certain of its shareholders another 8m, leaving Mr Lewis with 58 per cent of its equity.

IBM to license chip technology to Micron

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines is to license its world leading memory chip technology to Micron Technology of Boise, Idaho, one of the few remaining independent US manufacturers of dynamic random access memory (dram)

chips.

The deal represents the latest move by iBM to shore up the US semiconductor indus-

It also represents a signifi-cant boost to Micron's efforts to develop 4 megabit dram technology while ensuring a close relationship with one of the largest dram purchasers in

"This agreement serves IBM's objective of broadening our sources of supply for key semiconductor components, semiconductor components, while helping to strengthen the US semiconductor infrastructure which plays such a critical role in America's competitiveness," said Mr Michael Attardo, president of IBM's General Technology Division which includes the company's

semiconductor operations. Micron will be licensed to use iBM's dram technology. IBM will provide Micron with process technology and its 4-megabit dram design, and in return Micron will pay licensing fees and assist IBM in the development of special types of memory chips.

dram process technology to Sematech, the US semiconductor industry research consor-The company has also said it planned to license its dram technology to US Memories, a

Earlier, IBM provided its

collaborative industry venture aimed at increasing US production of drams. The agreement with Micron does not preclude other licen-sing agreements and talks with US Memories are continuing.

IBM said yesterday. IBM is also considering a proposal by Cypress Semicon-ductor, a Silicon Valley chip maker, which wants to license IBM's dram technology.

highest level for three years. Milacron earned \$2.5m or 10 cents a share in the quarter, \$12.9m of this came from seminate measuring machines. conductor materials operations, which were sold in The company said it expec-March this year. New orders were \$259m, ted better profits in 1990, "pro-vided the economy in general and the demand for capital compared with reported profits of \$9.6m or 40 cents a year ago. However, the year-earlier fig-ure included an tax benefit of about the same as a year ago. The backlog of unfilled

Canadian packaging concern declines By Maggle Urry

LAWSON MARDON, the the year net income was Canadian-based packaging C\$18.2m, against C\$32.5m, on group with extensive interests in Europe, suffered a sharp fall in net income in the third

quarter of the year.

After tax profits were C\$5m (US\$4.27m), compared with C\$14.5m in the third quarter of 1988, which included a one-off gain of C\$7.1m on sales of assets to a new joint venture company. Sales in the third quarter fell by 7 per cent to C\$250.8m.

For the first nine months of

sales down 10.1 per cent to C\$756m. On a per share basis third quarter earnings were 17 cents, compared with 51 cents and for the nine months were down to 63 cents from C\$1.13.

Mr Larry Tapp, president and chief executive officer, said the group "continued to cut costs and rationalise operations during the third quarter of 1989." He blamed "diverse internal and external developments" for the fall in

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earnings. Operations in Europe "have been pruned judiciously in preparation for a forecast economic downturn in 1990,"

goods in particular hold up."

There had been a slowdown in flexible packaging sales in the UK, and the fall in sterling against the Canadian dollar had affected profits.

Brighter spots were the boost in beverage bottle sales as a result of the warm British summer and a good performance from the North American packaging division.



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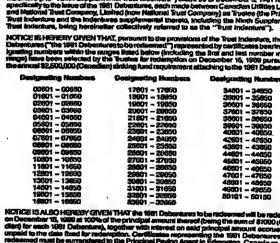
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By Morgan Guaranty Trust Company of New York, London Agent Bank





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In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 9th November, 1989 to 9th February, 1990, the Notes will bear interest at the rate of 12.375 per cent. per annum. Coupon No. 13 will therefore be payable on 9th February, 1990 at



DKK 7,906.25 per coupon for Notes of DKK 250,000 nominal.

BankAmerica
Corporation

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Interest Amount payable for Sub-period: US\$874.05 per US\$50,000 nominal.

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instead of ECU 89.58.
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payable on ECU 10.000 should
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895.83.

ECU 5.000.000)

BANQUE PARIBAS LUXEMBOURG

INTERNATIONAL COMPANIES AND FINANCE

Spain's insurers hit by road accident rate

Diana Smith surveys the efforts of car insurance companies to overcome their losses

Buoyant car sales and e compensation: Recently, sharp morease in road awards for disability have leapt from Ptasm a few years Spain's insurance industry with losses this year of between Pts80bn and Pts100bn (US\$660bn and \$830bn).

Some 1.2m new cars came on to the roads in 1988. This year is expected to set another record for sales, with an even worse accident record than 1988, when 5m claims went through insurance companies - approximately one claim for

every three cars in Spain.

The majority of claims involved small accidents, but this was little consolation to insurance companies. Repair costs generally soared

more than 17 per cent last year and as the number of imported cars grows — now 31 per cent of all car sales in Spain — the cost of spare parts and repairs has escalated.

The costs not only drain the resources of insurance companies but also damage Spanish society: 93,500 people were injured and 70,000 partially or totally disabled in road accidents.

lents last year. Some 5,000 accident victims died immediately after-acci-dents and more later – twice the fatal or serious injury rates of Italy and better only than Portugal and Greece in the

European Community.
Compensation awarded by the courts for personal injury has not only risen to meet EC directives on minimum third party risk coverage - Pragm as of January 1 this year, Pta16m from January 1 1993 and Pta44m from January 1 1996 — it is entirely dependent on the decisions of individual judges, many of whom are making bigger and bigger

There is no set criterion for

ago to Pta20m or even Pta100m, and some claims have been lodged (but so far not granted) for Ptalbu compensa-

This meant thet against Pta411bn premium income in 1988, equivalent to 13.5m policies, insurers paid out Pta840bn for road accidents almost Ptalbn e day.

Such costs not only bite into the profits of Spain's most solid national or foreign-owned insurers, they threaten many smaller mutual companies, which are undercapitalised and specialise in insuring car driv-

The high costs have also ter-rified ambitious foreign new-comers who have rushed into the Spanish market using car

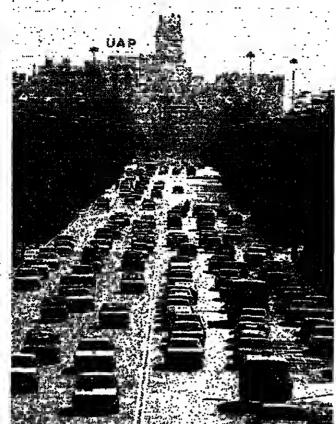
insurance as a quick way to build up market share. The industry knows things cannot continue at the present, onerous rate. Singly, companies are trying to ward off the worst effects by introducing Bonns/Malus schemes, by which good drivers ere rewarded and bad ones are penaltied.

penansed.

interthur, the Swiss group and Spain'e largest foreign insurance company, began such e scheme five months ago and Assicurazioni Generali of Italy will introduce months in 1999.

will introduce one in in 1990. The schemes reject certain high-risk groups such as drivers under the age of 27, who account for 16 per cent of all Spain's drivers and 32 per cent of serious road accidents, or

drivers of souped-up cars.
Companies are also protecting themselves by not seeking any more vehicle insurance business. Instead, they are sim-



Traffic in the Paseo de la Castellana, Madrid. Last year Sp insurance companies received 5m claims.

ply servicing the clients they already have, reducing the share of their business which is occupied by car insurance. Cajas de Seguro Reunidas (Caser), the large insurance company controlled by 70 of Spain's leading savings banks, is streamlining operations with a view to reducing costs and offering, as are other compa-

nies, sophisticated multi-risk policies at competitive (but not dumping) prices.
It now devotes only 20 per

cent of its business to car insurance while Assicurazioni Generali has reduced vehicle insurance from 45 per cent to 35 per cent of its business. Collectively, the industry is striving to tackle the road acci-

dent problem through the Agrupacion de Seguradores Automoviles – the Vehicle Insurers' Association of which Mr José Cercos, Managing Director of Winterthur España, has just been appointed chair-

Raising preminm costs, which have gune up 50 per cent in two years and may have to rise 20 per cent in the near future, is only a partial palliative, eccording to Mr Cercos, who says the insurance industry cannot solve the problem

r Cercos and the Agrupacion are push-ing for more roed safety education for youngsters and adults, better roads - the number and quality of which have falled to keep pace with soaring numbers of vehicles and the rationalisation of both vehicle repair costs and hospital bills. Above all they want a more rational compensation system in the courts.

Companies cannot sustain present levels of compensation, Mr Cercos insists.

Even if the more solid ones encourage friendly settlement, offering clients quick, fair compensation for damages and avoiding long delays before e court case can be heard, it is not enough to offset the punitive awards sought and often won by people who choose to take their problem through the

"There is a breaking point," says Mr Cercos, beyond which companies cannot increase

A dangerous side-effect of increases so far is the growing number of uninsured drivers on the roads.

NZ meat group sheds 2,000 jobs

By Terry Hall in Wellington

AT LEAST 2,000 jobs are to be lost in the reconstruction of the meat freezing industry on New Zealand's North Island, following last month's sale of Waitaki Industries' interests to Affco, the Auckland-based co-operative.

The rationalisation was foreshadowed in a number of government reporte which detailed huge overcapecity, due to a drop of up to 30 per cent in sheep and cattle numbers in the past four years. This followed a combination of severe drought and removal of agricultural support.

agricultural support.

Trade unions had been prepared for job losses following substantial losses by Waitaki and other companies, and the merger with Affeo which has produced a dominant meat company in the North Island.

The UK-based Vestey organisation remains a significant sation remains a significant force, with around 30 per cent of killing capacity.

Talks are continuing for a similar restructuring of Sonth

Island meat companies. The main casualty is the decision to close the former Borthwick plant at Waingawa at Masterton.

This is a significant blow to the region as the works, which employs 750 people, is the main industry.
Other works affected are

Waitara, Feilding, Imley at Wanganui, and Wairoa, The disused former Borthwick's plant at Longburn will not

Mr Ken Douglas, the Council of Trade Unions president, said the restructuring could have been far worse, as the original plans were to close five works.



NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders of ASIA SUPER-GROWTH FUND, SICAV will be held at the registered office in Luxembourg, 14, rue Aldringen, on Friday, 17th November, 1989 at 15.00 hours with the following agenda:

- To hear and accept;
 a) the Management Report of the Directors
 b) the Report of the Auditor.
- To epprove the Statement of Net Assets and the Statement of Operations for the year ended 31st July, 1989.
- To discharge the Directors and the Auditor with respect of their performance of duties during the year ended 31st July, 1989;
- To elect the Directors to serve until the next Annual General Meeting of shareholders.
- To elect Mary C. MCBAIN as an additional Director of the Fund.
- 6. To elect the Auditor to serve until the next Annual General
- 7. Any other business.

The Board of Directors.

THE INTERNATIONAL DRINKS

the above on

For a full editorial synopsis and advertisement details, please contact:

Jonathan Wallis

on 01-873 3565 or write to him at: er One, Southwark Bridge London SE1 9HL.

FINANCIAL TIMES

INDUSTRY The Financial Times proposes to publish a Survey on

28th November 1989

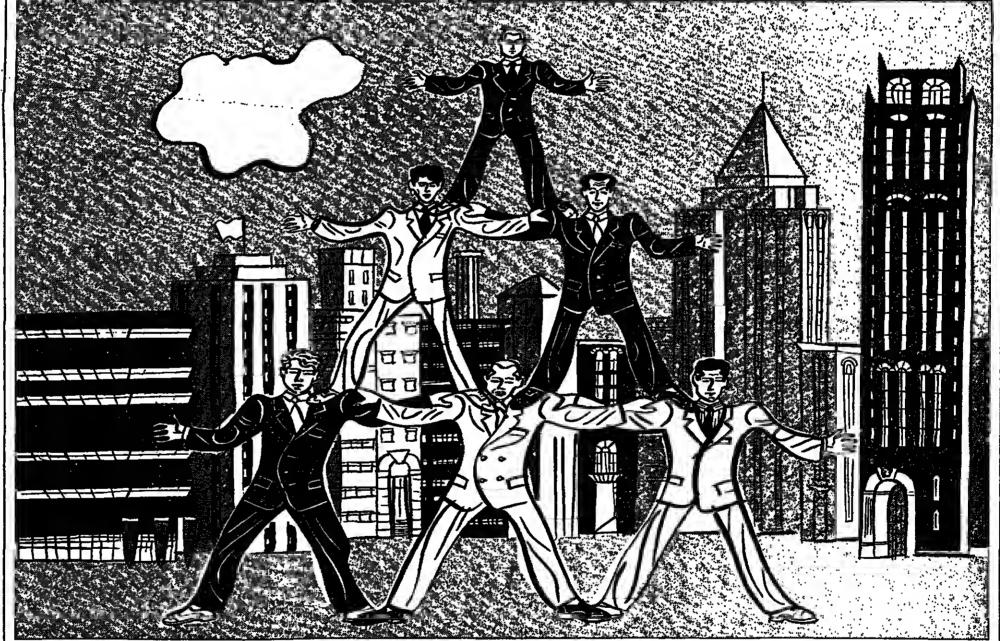
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Malaysian

cash call

By Lim Siong Hoon

in Kuaia Lumpur

group's first

for 10 years

MALAYAN United Industries

the Malaysian conglomerate once reputed for its humanse pool of cash assets, is calling for each by issuing a share for every two heid. On top of the

256m ringgit (\$94m) rights

issue, the group is also giving

a bonus, again a one-for-two

The cash call, at 1.50 ringgit a share, signals the start of MUI's efforts to rejuvenate itself from the shortfalls in revenues, profits, and

reserves.

The share announcement came a day after MUI named Mr Malek Merican, an Oxford-trained economist and mer-

chant benker, to the deputy chairman seat and to head the group's troubled financial division.

division.

Some of the fresh funds.

MUI said, are to be used at
additional capital for two subsidiaries, MUI Bank and MUI
Finance. The belance will be
used to reduce debt and to
cover expenditure within the

group.
This is MUl's first call for

cash in almost a decade. The group in 1980 was a tenth of its present size, in terms of assets. Then it started an

assets. Then it started an expansion programme under Mr Khoo Kay Peng, a former bank clerk and a Pentecostal Christian. MUI's assets, worth 4bn ringgit (US\$1.5hn) now, cover hotels, properties, cement, and insurance.

Trumpeted at home and

Trumpeted at home and abroad as a home-nourished conglomerate, MUI was somewhere between a blue chip and a speculative counter. The

a speculative counter. The groap's recovery from the recession in 1985, when profits also began tumbling, was sometimes uncertain. It suffered its first major net profit loss in 1987 but made a 22m ringgit gain last year.

The two new issues will don-

Its two new issues will dou-ble MUI's paid-up shares to 683m ringgit, and lift its mar-ket worth to one of the top 20

The Diehl Group, Nuremberg

has acquired

Bodenseewerk Gerätetechnik GmbH, Überlingen,

a company in

The Perkin-Elmer Corporation

The undersigned acted as financial advisor to the Diehl Group and assisted in the negotiations.

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November 1989

INTERNATIONAL COMPANIES AND FINANCE

ANZ takes 8.1% of **Advance** Bank

By Bruce Jacques in Sydney

THE ANZ Banking Group has emerged as an 8.1 per cent shareholder in the mediumsized Advance Bank, high-lighting instability on Austra-lian banking share registers. ANZ bought the shares from the diversified Melbourne

group, Premier Investments, group, Fremier investments, and now joins four other companies holding stakes of just under 10 per cent in Advance. These are Westpac Banking Corporation, the State Bank of New South Wales, Bank of New Zealand and FAI Insurance.

Analysts regard the jockey-ing on the Advance register as curious because, under Austra-lian banking laws, no single party is allowed to hold more than 10 per cent of a bank's capital without specific per-mission from Federal Trea-

mission from Federal Treasury.

Mr Paul Keating, the Treasury.

Mr Paul Keating, the Treasurer, recently stated his opposition to bank mergers when rumours were rife of a possible deal between the ANZ and the National Australia Bank. Further, about 40 per cent of Advance's shares are held by a trust charged with maintaining the bank's independence.

But Mr John Thame, Advance Bank's managing director, pointed out yesterday that the trust'e charter did not prevent a friendly merger and he remained interested in a possible deal with the State Bank of New South Wales.

Analysts believe the keen interest in Advance Bank shares reflects positioning by the larger Australian banks for a perceived new wave of industry rationalisation. But that will probably now have to wait at least until after the that will probably now have to wait at least until after the next federal election, now most likely in the first half of 1990.

Malay building group to take over tin concern

By Lim Slong Hoon In Kuala Lumpur

UNITED ENGINEERS, the big beneficiary in privatising Malaysia's road construction, is to take over Kinta Kellas, a tin company quoted on the UK and Malaysian stock markets. Small S African bank up 27% By Jim Jones in Johannesburg . . In the acquisition, UE is to pass a 5m ringgit (\$1.85m) con-VOLKSKAS, the emallest of quality of advances South Africa's big five banking groups, lifted its disclosed interim after tax profit by 27 tary to Kinta Kellas in return for a 96 per cent stake in the latter's share capital, which will be enlarged 20 times to 158m ringgit. Kinta Kellas will be issuing to UE 152m new shares, at 1.25 ringgit a share. per cent in the six months to September 30, in spite of what the directors describe as "intense competition." Mr Danie Cronje, the managing director, attributes the improvement to a substantial UE will sell back 25m of the shares to minority sharehold-ers on the basis of four shares increase in non-interest income for every one held, diluting UE's stake to 80 per cent. and an improvement in the Kinta Kellas expects next year'e gross profit from the business to be 20m ringgit.

Bond Corporation delays plan to sell brewing arm

By Bruce Jacques in Sydney

BOND CORPORATION, the troubled beer and media com-pany controlled by Mr Alan Bond, the Australian business man, has again extended the deadline for documentation on an integral part of its plan to sell its brewing interests for A\$2.5bu (US\$1.96bn).

The extension, the company's third, was announced yes-terday amid widespread specu-lation that the brewery sale — to New Zealand-based brewer Lion Nathan — was close to

Mr Doug Myers, Liou Nathan's chief executive, said

his company had agreed to an extension until November 13 for Bond to mail takeover documents for its proposed A\$1.60 a share offer for its offshoot,

Bell Resources.

The bid is the first step in Bond's plan to sell its Australian beer assets to Bell, which would then sell the breweries into a joint venture company with Lion Nathan. The bid documents were

originally to have been mailed by October 18, and the delays are being caused because the National Companies and Secu-rities Commission has insisted

Bond include a June 30 balance sheet in its offer for Bell. Bond has yet to settle a num ber of issues with its auditors, and has been unable to finalise

The delays have led to speculation that I lon Nathan will pull out of the brewery deal, allowing a possible counter bid from Adelaide-based SA Brewing. However, that bid may face problems from Australia's Trade Practices Commission because the country's other major brewer, Elders IXL, holds a 20 per cent interest in SA Brewing.

Lion Nathan below forecast

BREWING and retailing group Lion Nathan yesterday aunounced an audited NZ\$70.8m (US\$41.6m) after-tax trading profit, although earnings were not as good as forecast, according to Mr Douglas Myers, the chief executive.

The figure does not include an extraordinary profit of NZ\$166.8m, primarily from the the sale of Oasis Industries, the holding vehicle for the soft drinks businesses, including the Schweppes and Coca-Cola franchises.

Before Lion Corporation and

Before Lion Corporation and L D Nathan merged 20 months ago, the group forecast sales of

NZ\$2.9bn for the year to March 31, but in its first full year, to August 31, sales were NZ\$2.74bn. The company said no comparative revenue and figures were available because this was the group's first 12month announcemen

month announcement.

Of the purchase of half Bond Corporation's brewing assets, Mr Myers said: "We knew things were never going to be easy, they are quite complex. There are others interested in Bond's brewing assets, but we believe we have the front running." Mr Myers said Lion ning." Mr Myers said Lion Nathan had no problems with debt, but property assets were

underperforming. These had been written down by NZ\$47.3m.

Mr Kevin Roberts, the chief Mr Kevin Roberts, the chief operating officer, said Oasis would not have been sold without e replacement franchise. The Pepsi franchise acquired three weeks ago had cost the company nothing other than NZ\$50m to be spent on marketing over the next five years, the same as Lion would have spent on Coca-Cola. Pepsi would create NZ\$250m in good will over the next five years.

will over the next five years.

Profits at Lion's trading division, excluding property, lifted
before interest by 19 per cent.

S African brewer rises midway

INTERIM trading profit before interest and tax for South Afri-can Brewerles (SAB) rose to R500m (\$190m) from R363m during the six months to Sep-tember 30, the company said.

A rise in volume beer sales of 13 per cent and greater pene-tration of other mass consumer ration of other mass consumer markets combined to lift turnover by 23 per ceut. Pre-tax profit increased to R407m from R311m. The last financial year's trading profit totalled R1.02bn and the year's pre-tax profit was R886m.

Turnover rose to R5.8bn in the half year, from R4.7bn in

the half year, from R4.7bn in the corresponding half of the last financial year and against

R10.6bn in the last financial R10.60n in the last mancial year as a whole.

However, local analysts question whether the sales growth will be maintained during the second half — the summer months when beer sales rise — as operations have been affected by a continuing strike be brewsers workers.

by brewery workers.

The directors do not comment on the strike in their interim report, though they have said elsewhere the strike has not affected brewing.

Mr Meyer Kahn, the managing director, estimates spend-

The bank discloses neither

its interest income nor its interest payments and simply

declares profits after tax and variable transfers to or from

inner reserves. The disclosed taxed profit was R50m (\$19m) against R39.5m in the corre-

sponding period of 1988 and R91m for the year to March 31

ing on private consumption grew by 17 per cent in the past six mouths, confirming the

slowdown in consumer spend-ing in the economy as a whole. He attributes SAB's greater turnover growth rate to improved penetration of focused mass market.

He believes consumer demand will remain severely inhibited. He expects SAB's reserved correct will grow

inhibited. He expects SAB's year-end earnings will grow, but at a slower rate than in the first six months.

The first half earnings advanced to 65.1 cents as share from 51.1 cents and the interim dividend has been increased to 25 cents from 20 cents. Earnings totalled 187.2 cents in the last financial year and the year's dividend was 84 cents.

R18.4bn at the end of March

while total advances rose to R12.2bn from R10.7bn.

demand for credit could reduce and credit risks will tend to escalate. He expects consider-

able pressure on the profitabil-ity of the banking sector as a whole.

Mr Cronje warned an economic downturn could affect the second haif's performance,

Japanese cable sales exceed **forecasts**

Malaysian companies.

By Robert Thomson

SUMITOMO Electric Industries, Japan's largest maker of electrical wires and cables, announced a 15.9 per casies, announced a 15.9 per cent increase in pre-tax profit to Y12.56bn (\$87m) for the first half to the end of Septem-ber, after sales growth exceeded expectations. Sales for the period rose 14 per cent to Y323.9bn, and the

company revised upwards its expected full year sales figure from Y670bn to Y680bn, a 12.4 per cent increase on last year.

Japanese transport group rises 24% to Y14.6bn

By Robert Thomson in Tokyo

NIPPON EXPRESS, Japan'e largest integrated transport company, reported a 24.1 per cent increase in pre-tax profit to Y14.6hm (\$102m) for the six months to the end of Septem-ber, as domestic economic growth coutinued to fuel demand in the industry. Sales for the period were

Y523bn, up from Y480.4bn, while profit for the full year is expected to be Y84.3bn, a 12.6 per cent increase on last year. The company reported a 5.9 per cent increase in sales from truck tranportation, the source of 50 per cent of the total desuite a serious labour short

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To comply with AIBD recommendations, the definitive Notes will on issue have struched thereto, in lieu of the last 41 Coupons, one Stub entitling the holder to such 41 Coupons on and after the Interest Payment Date falling in May 1994. The Terms and Conditions of the Notes have been modified accordingly.

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November 7, 1989

Pacific move

and new

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INTERNATIONAL CAPITAL MARKETS

Treasuries move higher as Federal Reserve eases

GOVERNMENT

Fed Funds stood at 8% per cent.

The easing move was unexpected but re-examination of

Tuesday's consumer credit fig-ures led hond analysts to believe that these weak statis-

tics could have been a trigger.

Consumer credit grew by \$606m in September compared

BONDS

US TREASURY bonds were prime rate ents in July, ing the debt ceiling until late announced it was lowering prime to 10 per cent from 10.5 per cent in late morning. By mid-session, nb other banks mixed at yesterday's mid-ses-sion as the long end of the market dipped back after Tuesday's substantial gains and the short end continued to profit from evidence that the US Federal Reserve has eased mone.

tary policy. At mid-session, the benchmark long bond was quoted % point lower for a yield of 7.88 per cent while short maturities were quoted as much as % The Fed appeared to confirm the easing move by not operat-ing in the money market when

point higher.
The Fed's addition of reserves to the banking system when Fed Funds were trading at 81 per cent triggered specu-lation that the Fed had lowered its target for Fed Funds to 8% its target for Fed Funds to 8% per cent in a surprise move given last Friday's strong eathings and jobs data for October. Fed Funds opened at 8% per cent yesterday and then dipped a little further to trade at 8½. There was speculation that money centre banks will move to cut prime rates which are now two full points above the

Fed Funds rate, historically a large spread.
Southwest Bank of St Louis, which led the last round of failed to pass legislation rais-

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with market expectations of a rise of \$3.1bm. August's rise was also revised down.

The strong rally of Tuesday petered out as the market braced itself for the quarterly refunding due to bear bear. now two full points above the Fed Funds rate, historically a BENCHMARK GOVERNMENT BONDS

Price Change Yield 13.500 9/92 104-21 +5/32 11.53 11.53 11.65 9.750 1/85 85-09 +12/32 10.62 10.66 10.72 0.000 10/08 93-29 +17/32 8.71 9.72 0.64 US TREASURY " -1/32 7.89 -5/32 7.89 JAPAN No 111 4.600 6/98 94,6556 +0.387 5.51 5.47 5.31 No 2 5.700 3/07 102,0496 +0.091 5.47 5.51 5.14 96,6000 +.0,400 7.25 7.16 6.95 8,750 6/99 FRANCE STAN 8.000 7/94 94.3198 +0.716 8.53 8.40 9.11 OAT 8.125 5/98 94.7300 +0.960 8.95 8.91 8.71 CANADA " 9.500 10/96 100.3750 +0.500 9.43 9.49 9.51 NETHERLANDS 7,250 7/99 97,2300 +0.480 7,66 7,66 7,36

Technical Data/ATLAS Price Sources

12.000 7/99 92.3296 -0.049 13.43 13.58 13.64

Matif to

electronic

By Deborah Hargreaves

on Glober where trading will

take place outside exchange hours. Matif is the only foreign exchange so far to sign up with Globex, although other markets mandated hours and the sign of the sig

kets worldwide have shown

two years, is set to start in the first quarter of next year. The

system will first carry some of the CME'e financial futures

and options contracts with the

Matif's products being added by the third quarter. Aside from the French prod-ucts, it will initially launch on

Globex, Mr Planwadel said. The Matif has exclusive rights to trade a list of other deriva-

tive products on the system. Some of these could compete with futures and options listed on the London International

Financial Futures Exchange,

which is due to start up its own after-hours screen trading

system at the end of Novem-

The CMR initially plans to list its Eurodollar, three-month

Treasury bills and six foreign

currency contracts on Glober. Reuters says it currently has 260 orders for Globez terminals

which will include 55 in London and 205 in the US. Matif

has made a guarantee that it will take 50 terminals.

will take 50 terminals.

Reuters will collect a user fee of \$1 for each contract traded over the system to be split equally between buyers and sellers.

Matif's decision to join Globex, which is subject to approval by French regulators, is part of the exchange's bid to become more international

become more international, according to Mr Planwadel. He expects French and US regula-

ment soon on rules allowing French broksrage houses

access to customers in the US.

Volume on the Matif has

Volume on the Matif has grown dramatically this year and the exchange's Notional bond contract which was introduced in January, now averages 30,000 lots a day.

● Spain's first options exchange, OM Iberica, got off to a slow start yesterday with its initial three-month Treasury bill options contract. The new exchange is operated by a subsidiary of Sweden's electronic market, OM, and modelled on similar systems in place in Scandinavia and the

Cyprus plans

By Stephen Fidler, Euromarkets

Correspondent

Europaper issue

THE Republic of Cyprus is the

latest sovereign borrower to use the Eurocommercial paper

market, with a \$100m programme arranged by Chase

year loan, the company's first international financing, carries an interest margin of % per-centage point. Front-end fees range down from 8 basis

Helical Bar, the UK property development and investment company, arranged a

225m sterling commercial

paper programme, arranged by NatWest Capital Markets.

Talks with the New York

trading

join Globex

Tuesday night. The new schedule is as follows: \$10bn of three-year notes will be auctioned today, \$10bn in cash management bills tomorrow, and \$10bn of 10-year notes on Monday.

■ Overnight improvements in US Treasuries combined with signs that the Fed has eased credit policy inspired the UK government bond market to open up to % higher yesterday morning. Sterling's continuing firmness on the foreign exchanges and the weaker D.Mark helped longer dated bonds put on gains of up to half a point, and shorter ones to close about & up.

The December futures con-

The December Intures con-tract followed much the same pattern. It opened at 92.01 (after closing the day before at 91.23), peaked at 92.10, and closed at 92.07. Analysts said they were confident that politi-cal uncertainty had ceased to be a factor in market activity for the moment.

In Germany, government bonds opened unchanged to slightly higher. "Retail inves-tors think the market has been oversold now US Treasuries are performing so well," said

The repurchase during the day caused a slight easing as the market anticipated a movement in interest rates. How-ever, if US bonds continue to be as firm today, traders are looking for a "reasonably bull-ish" scenario. The December futures closed on Tuesday at 91.45, opened yesterday at 91.73, and closed below its highest trade at 91.90. The cash though retail interest during the day sparked some price rises which made the cash market seem expensive.

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100.02 100.12 22/02 6.46.100.12 100.17 9/11 15.97
99.77 100.07 24/11 14.06
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M.H.L. Finance 51, 93.
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Portogal 51, 92.
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nds: The yield is the yield to redemption of the mid-p nt issued is in millions of corrency units except for the it is in billions. Change on week = Change over pr

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COUNTRY HOME

INTERNATIONAL APPOINTMENTS

Rothschild Group to form Canadian unit next year

opened early next year by the Rothschild worldwide banking and investment concern, subject to obtaining the necessary

IN A SURPRISE announcement yesterday, the Marché à Terme des Internaregulatory approvals.

To be called Rothschild Canada Inc. Its activities will tional de France (Matil), said it include corporate finance and has reached an agreement to join the Globex electronic trad-ing system which is being mergers and acquisitions advisory services, and an invest-ment advisory group. Mr H. Garfield Emerson,

developed jointly by the Chi-cago Mercantile Exchange (CME) and Reuters, the UK Q.C., a senior partner with Davies, Ward & Beck and one information group.
Matif initially plans to list its French Treasury bond and interest rate futures contracts. of Canada'a most prominent

mergers and acquisitions and corporate finance lawyers, will become president and chlef executive of this Canadian

Serving as vice chairmen will be Mr Daniel Pekarsky, Rothschild's representative in Canada since 1987, and Mr Robert Pirie, president and chief executive of Rothschild Inc, US arm of the Rothschild Group. Mr Emerson, who is 48, has

worked on various committees dealing with reform and changes to Canada's takeovers

In 1987, Rothschild Inc establisbed a representative office in Vancouver under Mr Pekarsky, a leading Canadian businessman. He will have a leading role in the overall Canadian operations and maintain execu-

tive offices in Vancouver. Senior representatives of N.M. Rothschild (London) and Rothschild & Cie Baoque (Paris) will serve as directors of the Canadian unit, together with Messrs Emerson, Pekar-

ault of France, owner of 44.7

per cent of the outstanding

stock and also with warrants

to buy another 17 per cent, said

"cultural revolution" after sev-

eral disappointing quarters of

HUGHES AIRCRAFT, the acro-

space subsidiary of General Motors of the US, stated that

Mr Donald White, who served

as president and chief operat-ing officer during Hughes's transition to a publicly owned company, has decided to retire

on December 1 to pursue

long-standing personal plans, raports AP-DJ from Los

Mr Malcolm Currie, chair-

man and chief executive of Hughes, said: "Don will not be replaced for the time being. His responsibilities will be shared

Hughes executive committee, who will work with me as a

team in the overall manage-

in a separate move, Hughes Aircraft elected Lt. Gen. James

Abrahamson, USAF retired, as

ment of the company."

other memhers of the

earnings performance.

at Laidlaw By Robert Gibbens in Montreal LAIDLAW Transportation, the

waste management and school bus effiliate of Canadian Pacific, has appointed a new president and is moving into Pacific markets. Mr Donald Jackson, 45 takes over as president and chlef operating officer from Mr Douglas Gowland, who has left the company after 21 years service. Mr Jackson joined Laidlaw last Angust and has

> management industry. Laidiaw has opened an office in Taiwan, from which it will develop its solids and chemical waste disposal business in south east Asia.

wide experience in the waste

FIRST MARYLAND Bancorp, wholly-owned US offshoot of Allied Irish Bank, announced that Mrs Margaret Beckler, who recently completed a three-year term as US Ambassador to the Republic of Ireland, has been elected to its board of directors and to the board of its subsidiary, First National Bank of Maryland. From 1982 to 1985, Mrs Heckler held the US Cahinet post of Secretary of Health and Buman Services.

A Congresswoman representing Massachusetts's 10th district from 1966 to 1982, she served on several important Bonse committees, including the banking committee.

BANC ONE, the rapidly grow ing US regional banking group based in Ohio, said that Mr Frank McKinney Jr is to retire as president with effect from

January 12. Mr McKinney will no longer be active in the day to day management of Banc One, Banc One Indiana, and Bank One Indianapolis. He will retire as chief executive officer of Banc One Indiana, but will continue to be chairman of its hoard and chairman of its executive committee.

Kymmene names president designate

lla in 1976 following its trans-fer of domicile from the UK.

In 1979, be became the first chairman of ANZ Banking Group (New Zealand) when it was formed to acquire the

banking business of ANZ in

Mr Papps is a solicitor and consultant at a New Zealand law firm, and has also been chairman of a number of pub-

lic companies in the country.

QUANTUM Chemical, the lead-

ing US propane distributor and the nation's largest producer of polyethylene, a plastic widely

used in packaging, containers and pipes, elected Mr Francis Brophy as vice chairman. Mr Brophy, a 25-year veteran

of the company, had heen senior vice president and chief financial officer. Quantum said Mr Bropby has declared his intention to retire next year.

Mr David Lodge has become vice president and chief financial officer.

MACK TRUCKS, the US

heavy-duty trnck manufac-turer, said that Mr Ralph

Reins, the company's president and chief executive, has also

New Zealand.

cial officer.

KYMMENE, Finland'a leading forest products group, named Harri Piehl as the next president. He will assume the posi-tion on July 1 next year when Gay Ehrnrooth, the current

Mercantile Exchange and the Sydney Putures exchange were president, retires.
Mr Piehl is a member of put on ice earlier this year as the CME discussed a link between Globex and a rival system, Aurora, which is being Kymmene's executive board and chief operative officer of the Kaukas-Voikkas division. The board of directors has leveloped by the Chicago Board of Trade. Mr Gerard Pfanwadel, Matif

also appointed, with effect from January 1, presidents for the new sohsidiaries created chairman, said that Metif's negotiations with the CME had through the demerging of the company's domestic company's domestic operations. The persons appointed are at present in been more advanced than those of other exchanges and they had continued to finalise terms while the CRT-CME link charge of the operations to be transferred to the respective was under discussion.
Glohex, which has been under development for over

subsidiaries.

Mr Piehl will be president of Kaukas Oy until July 1, and then succeeded in this post by Hannu Schildt, currently vice president, commerce, of the Kaukas-Voikkaa unit.

* * * *
AUSTRALIA and New Zealand
Banking, one of the top three
commercial banks in Australia,
announced that Mr L.M. Papps has retired as a director, hav-ing reached the bank's normal retirement age for directors.

Mr M.D. Bridgeland, ANZ
chairman, said that Mr Papps
had made a significant contribution to the group since joining the board 13 years ago. He was appointed a founding director of the bank in Austra-

executive vice president for corporate development. Mr Abrahamson retired from the US Air Force in March this been elected as chairman. Mr Reins succeeds Mr John year, having completed a dis-tinguished 33-year career as 8 ignation last month. In September, Mr Reins

pilot, astronaut, engineer and a leader of several national space became chief executive in place of Mr Curcio after Renprogrammes. **UK ECONOMIC INDICATORS**

ECONOMIC ACTIVITY- Indices of Industrial production, manufacturing (1985 = 100); engineering orders (5 billion); retail sales votume (1985 = 100 sales value (1985 = 100); registered unemployment (excluding school leave unfilled vacancies (000s). All seasonally adjusted.

22.3 20.4 18.4 21.4 14.2 17.8 18.6 18.5 18.4 18.8 19.4 17.7 16.6 14.0 13.0 130.4 123.7 137.0 124.9 125.0 126.0 126.0 126.0 126.0 126.0

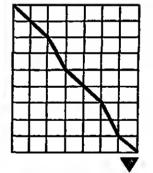
+730 +945 +827 +390 +182 -4,777 -4,807 -1,848 -1,814 -1,817 -1,853 -1,482 -1,652 -2,247 -2,008 -1,840 + 241 + 290 + 154 + 115 0 + 128 + 134 + 59 + 61 + 57 + 36 112.8 114.7 117.8 117.1 108.4 115.8 111.5 113.4 117.0 115.8 111.1 125.8 -5,800 -6,874 -8,794 -2,067 -2,215 -1,716 -2,176 -1,974 -2,547 -2,308 -1,948

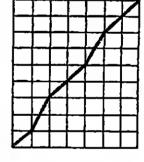
Dealers on the programme, which is rated P-1 by Moody's Investors Service, will also include Merrill Lynch Interpational, Société Générale and UBS Phillips and Drew Securities. Issuance is possible in US dollars or in Ecu.

Asko Oy, the Finnish building and furnishings group is BS Moon Cm +21,235 +21,215 +36,222 +6,570 +7,777 +7,127 +6,239 +7,579 +6,445 +76,280 + 214 + 366 + 766 + 201 + 203 + 216 + 333 + 467 + 348 + 348 + 343 + 101 2,861 1,735 2,365 794 1,064 813 1,175 713 -163 846 621 918 ing and furnishings group, is raising a \$50m multicurrency term loan through Swiss Bank Corporation, London, The five-

the triple of the triple of the triple of the triple of 1,747 1,877 1,902 1,967 1,963 1,963 16.5 77.8 76.9 77.8 77.1 76.0 171.9 112.6 113.9 116.2 115.2 116.4 1,974 2,018 1,912 1,900 1,954 1,900 2,014 2,014 2,019 1,949 1,943 1,953 1,953 105.4 105.0 116.2 116.2 111.7 116.8 111.8 111.8 112.3 116.3 116.4 116.5 116.6 110.2 110.7 107.4 107.4 107.3 108.3 110.3 110.3 110.4 110.8 111.3 116.6 117.2 117.8 118.9 118.9 118.0 119.5 120.0

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INTERNATIONAL CAPITAL MARKETS

J P Morgan raises the stakes in Europe

David Lascelles on the banking group's reorganisation of operations outside the US

urope has a special meaning for J.P. Mor-gan, the parent of Morgan Guaranty of New York. It has been in the United Kingdom for 150 years, and in France for 125. It also has operations in eight other European countries, which explains why it views the forthcoming integration of the European market with a practised eye.

Morgan, which is the US's fourth largest bank and trades heavily on its quality image has always made a point of hlending in with the local scenery, in London it seems to be a British bank, sporting its City ancestry; in France it looks French in its plush quarters in the Place Vendome; in Frank-furt the appearance has a Ger-

manic cleanness to it.

The effect is heightened by the number of "locals" it employs. One rarely encounters Americans, even at the

ters Americans, even at the highest echelons.

The Morgan strategy is similar to that increasingly adopted by US banks in Europe – at least those which have turned their backs on the retail market: to go for the most sophisti-cated end, where hanks can command high fees for provid-ing advice and arranging complex deals for large corporate and sovereign clients. In Morgan's case, one of its competi-tive advantages is its widespread presence in Europe, which it claims is actually stronger than any European

But while this local connection is an undouhted strength, it is also, perversely, an obsta-

cle, because the bank's effort gets fragmented at country level. This explains why Morgan chose earlier this year to reshape its European operations and pull them together more tightly.

Mr Eric Bourdais de Char-

honnière, previously regional manager, was given a new assignment as head of J.P. Morgan's private banking group in Europe and the Mid-At the same time, two pan-

European posts were created, one to oversee its financial advisory services, headed hy Mr Walter Gubert, who is Ital-ian, and another to oversee financing and capital markets which will be run by Mr Mich-

ael Enthoven, a Dutchman.
"There had been a need for
much stronger functional
links, and we are huilding
them," says Mr Gubert. The changeover was not altogether an easy matter. The new structure had to he pushed through against the resistance of some of the local offices who felt their indepen-dence was heing curhed, according to those familiar

with Morgan's internal politics. The changes also followed one of Morgan's less happy periods in Europe, which was marked particularly hy the damage it suffered at the hands of the securities markets which it deems important to its investment banking activities. in 1987, J.P. Morgan Securi-ties, the London-based securities subsidiary, lost \$107m - a



markets. The same subsidiary lost a further \$9m on gilts last year, (though London overall earned \$128m), driving home the need for a clearer focus on profitable husinesses. Morgan also lost three of its top Lon-don executives to British banks: Mr Fred Vinton (who went to Rothschilds), Mr David Band (BZW), and just recently Mr Richard Delhridge (Midland). Their departures are said by Morgan to be coinci-dental, though, rather than indicative of trouble.

Much of Morgan's European strategy is dictated by the free-dom which the market gives to banks to engage in investment banking — something which is tightly limited by law in the US. "Here we are able to com-pete in all the husinesses we want to," says Mr Gubert. "We can implement our strategy in full force."

In common with all banks, combination of losses on dealings in the gilt-edged and Euro Morgan proclaims its interest in huilding relationships with clients rather than going for a deal. Possibly because of its more patrician image, it is able to make this claim without attracting quite the same

sneers as other banks.

"Those are not just empty words. We have had to make some difficult decisions," says Mr Guhert, who cites an (unnamed) European client who recently took Morgan's advice not to go ahead with a major acquisition in the US. Although much of Morgan's European advisory husiness is cross-horder with the US, it particularly wants to get a reputation for handling deals

between European companies.
Thus, while it advised on the
SmithKline Beecham merger,
and on Michelin's acquisition of Univoyal Goodrich, it also helped Pearson in its acquisi-tion of Les Echos, and is adviser to National & Provincial, one of the UK huilding societies contemplating conver-sion to bank status.

Mr Gubert expects to see a far-reaching corporate restruct-nring in Europe, almost regardless of what happens to Brussels' plans for 1992. There are too many car companies, too many steel companies. European industry has got to change."

On the securities side, there is a more of an air of caution. Mr Enthoven denies that this summer's new structure was prompted by the losses so much as a desire to take a more global view. Even so, he says Morgan does not intend to securities husiness, hut is

focusing on complex products in major markets.

Although Morgan contem-plated huying a UK stockhro-ker – Wood Mackenzie – before Big Bang two years ago, it eventually decided to abide hy its policy of growing all its new businesses itself. But it made an exception in Paris, where it bought a stockbroker,

Nivard-Flornoy.
"It was a matter of huying now or waiting till complete deregulation in 1992 and possi-bly missing an opportunity. So we hought," says Mr Jorgen Wagner-Knudsen, senior vice president in the Paris branch. But he thinks it was a wise decision because it gave Mor-gan an equity capability in France and strengthened links

with investors.

The Paris hranch is one of Morgan's most profitable in Europe, according to Mr Didier Cherpitel, the general man-ager, and last year earned 15 per cent of Morgan's \$280m after-tax profits on the Conti-

But a question for the Lon-don end is whether to keep the loss-making gilt-edged dealing husiness: "We have to keep reviewing it," says Mr Gubert.
Morgan is reasonably optimistic that US banking regulations will he eased further soon, opening the way for it to huild fully-fledged securities activities in the US as well.

But in the meantime, the

changing structures of the European market, and its strong position there, probably offer it its most interesting Turkey \$250m, six-year issue has mixed reception

By Andrew Freeman

BUSY NEW issue activity on **Eurohond** markets yesterday failed to dispel ongoing gloom among traders. None of the deals flew out of the window, while several needed steady price support from the lead manager. Investor demand retained its patchy character.

The Republic of Turkey launched a \$250m deal via Sumitomo Finance. The bonds offered a 9% per cent coupon and were priced to yield 190 basis points over the equivalent US Treasury. The six-year maturity was the longest yet attempted by Turkey, and the issne had a mixed reception from European investors.

However, Sumitomo is understood to have done extensive pre-selling of the issue in Japan, where corporate and retail accounts expressed steady interest. The paper was trading at less 1% hid, well inside full fees of 1.95 per cent. Bond traders said much of the paper had heen asset swapped and placed in Japan on a fixed-yen basis. The yields

achieved were said to be around 7 per cent. Seasoned Eurodollar bonds had a mixed session, with spreads over Treasuries largely unchanged. Longer maturities fell back by around % point after their strong performance on Tuesday. The recent Prov-ince of Alberta deal traded at

100.52 bid, a spread of around 49 basis points over Treasuries. Goldman Sachs brought a C\$150m 10-year deal for the European Investment Bank, and ran into criticism for its handling of the syndication. The issue was nominally

launched as a fixed-price reoffering, with the price set at 99.90 to yield some 50 basis points over Canadian govern-

However, Goldman hroke the ayndicate within minutes of launch, claiming that some comanagers had offered paper below the reoffer level. The bonds immediately traded down to 99.70 bid, just inside full fees of 25 basis points and implying a spread against Treasuries of around 55 basis points.
Traders said the paper had

heen tightly priced at the reof-fer level, citing an existing nine-year EIB issue which was trading on a spread of around 49 basis points. They ques-tioned the need for a reoffering in view of Goldman's decision to break syndicate so quickly. Nevertheless, there was some demand for the bonds, particularly from German mutual funds. Proceeds were swapped into fixed rate French francs hy Credit Lyonnais to achieve a funding rate of around 45 hasis points over

French government bonds. Merrill Lynch hronght a C\$120m three-year issue for Procter & Gamble offering a yield of 75 hasis points over government honds. The paper traded just inside 1% per cent fees, quoted by Merrill at less 1.35 bid.

However, traders said there was intermittent demand and that the deal would take time to place. Proceeds were said to be swapped into floating-rate US dollars, although Merrill

would not comment.
An Ecul00m five-year issue

for Oesterreichische Kontrollhank launched by Merrill also had an average reception, trading at a discount equivalent to full fees amid lack of demand. The bonds offered switching opportunities, with the 9% per cent coupon attracting favour-

able comment. A £75m 10-year issue for Eurofima was brought by Credit Suisse First Boston to a slow reception. The bonds were reoffered at 99.55 to yield around 56 basis points over gilts. Several houses declined, saying the terms were too tight. There were reports that the reception was dented by the coincidence of another house taking soundings for a similar maturity deal at a more

generous spread.
In Switzerland, there were no new issues and grey market trading was mixed. The SFr100m SAS deal rose to less 1 hid, before closing at less 1% hid, up % point on the day.
Two issues traded on the sec ondary market for the first time. The World Bank ST 100m 6 per cent issue traded at 95%

i, against o 101 % issue price.

The Hokkaldo Takushoku
Bank SFr100m public convertihle traded at 99% hid, well
above its grey market level.
Elsewhere, traders reported a continuing collapse of prices of Matador bonds as sentiment was hit hy technical factors and speculation about currency weakness. The recently issued EIB Pta15bn 1140 per cent issue was trading at 94% hid, way below its issue price of 101%. Other issues have fallen hy between 2 and 3 points this week.

Call to strengthen Switzerland as a financial centre

SWISS BANK Corporation yesterday called for more offi-cial hacking to strengthen Switzerland's position as a financial centre, Renters

reports.
Mr Walter Frebner, chief executive, said: "Together with other banks we have made big efforts to strengthen Switzerland as a financial centre. But our endeavours have not found the necessary support from the authorities and political hod-

He said Switzerland was indulging in a banking policy marked by flagrant contradic-tions. He cited the following

• The Cartel Commission demanded total price competi-tion. Yet the government was proposing interest rates should subject to its control. • The banks were being urged to reform the stock market system. On the other hand, elimi-

The National Bank's mone-tary policy had led to sharply higher interest rates. But the highest authorities in the land described any adjustments in bank interest rates as unnecessary and undesirable.

nation of the anachronistic

stamp duty was systematically

Mr Frehner said it was mistaken to think that to make Switzerland more competitive as a financial centre it was sufficient to subject hanks to greater competitive pressures.
"A characteristic of Europe's

modern internal market is precisely its enormous mobility. The other countries are ready and eager to huild market share at Swltzeriand's expense," he said.

Mr Frehner said Switzerland could either face up to the tougher international competition, which would be SBC's preference, or confine itself to its traditional home market.

its traditional home market.

But if the country was to remain competitive, it was essential that the national reg-ulatory environment he adapted to meet the new requirements, he said. He noted that Swiss Finance Minister Mr Otto Stich, when

asked in a recent interview whether bank customers might

not go ahroad if the stamp duty was not repealed, had replied: "Let them." SBC yesterday also criticised the price of share issue planned by Co op, the troubled West German retailing group. Mr Frehner said it had not yet

been decided whether his bank

EQUITIES

would participate in the capital He said the issue conditions had been determined against the vote of Co op's four shareholder hanks, SBC, Amro Bank, Security Pacific and Svenska Handelshanken, "In our opinion, the premium is much too high and in particu-lar makes it impossible to take account of the interests of the small shareholders," Mr Frehner said.

Andrew Large, • Mr appointed to the executive board of Swiss Bank Corporation in 1987, will leave the

Dirt.

NE	W INTE	RNATIO	NAL	BOND	ISSU	ES
Borrower US DOLLARS Turkey, Republic of(a) •	Amount m.	Coupon %	Price 100	Maturity 1995	Fees.	Book runner Sumhomo Finance Im
CANADIAN DOLLARS European Investment Bank(a) Procter S Gamble Co.(a)	160 120	10 1 ₈	99,90 101,60	1200 1992	25/20bp 1-2/3	Goldman Sachs Int. Merrill Lynch
STERLING Eurofima(a) •	75	1132	99.55	1999	35bp	CSFB
ECtha Oest, Kontrolibank(a) ♣ European Investment Bank(d) ♠	100 60	81 ₂	101 7± 101,35	1994 1999	17/14	Merriti Lynch Int. 18J Int.
YEN Abboy National(b)◆ Flash 10 Ltd.(c)◆	30bn 2.8-bn	53 ₅ 53 ₄ /6	101 ½ (c)	1963 1994	13/2/14	Dalwa Europe Sanwa Int.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES These Indices are the joint compilation of the Financial Tanes the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS	W	ednesd	lay No	vernber	8 19	89	7 ac Nov 7	Non 6	Fri Nov 3	(appro
& SUB-SECTIONS Figures in parentheses show number of stocks per section	Index No.	Oay's Change	Est. Earnings Yield% (Max.)	Gross Olv. Yield% (Act a) (25%)	ESL P/E Rallo (Net)	zd adj. 1989 to date	Index No.	Index Ne.	Index No.	Index No.
1 CAPITAL GOODS (207)	890.26	+1.5	12.49	4.76	9.80	27.91	877.04	873.68	872.13	\$19.1
2 Building Materials (29)	1064.74	+2.4	14.80	5.21	8,44	35.83			1036.53	
3 Contracting, Construction (37)		+1.9	17.49	5.54	7.46	55.10	1388.22		1381.43	
4 Electricals (10)	2535.38	+1.1	10.88	4.98	11.55	68.90	2506.79	2502.56		
5 Electronics (30)	1977.50	+1.3	9.32	3.72	13.82	50.67	1952.54		1933.91	
6 Mechanical Engineering (53)		+1.8	11.73	4.79	10.23	14.68	461.10	459.25	460.25	432.
B Metals and Metal Forming (6)	462.77	+0.8	22.21	6.47	4.95	16.13	457.07	455.68	458.05	
9 Motors (181	364.09	+8.6	18.94	4.76	18.72	11.79	361.98		365.14	
10 Other Industrial Materials (241		+0.9	9.97	4.52	11.82	51.93	1640.90	1624.40		
21 CONSUMER GROUP (184)	1253.02	+1.0	8.80	3.54	14.28	27.90	1240.22		1242.36	
22 Brewers and Oistillers (23)	.1493.95	+1.5	9.32	3.51	13.43	28.11	1382.97		1343.56	
25 Food Manufacturing (20)	1897.72	+0.5	9.34	3.91	13.51	25.20 44.23	1891.74	1089.43	1096.84 2305.20	
25 Food Manufacturing (20)	2314.01	-0.3	9.08	3.03	14.56	48.54	2320.95	2392.37 2483.85		
27 Health and Household (14)	2502.02	+1.0	6.26	191	19.62	37.32	1554.74	1544.25	2495.98	
29 Leisure (341	12/4.05	+1.6	8.26	3.63	14.92	16.17	527.40	531.62	1539.97 531.22	
31 Packaging & Paper (15)	531.16	+0.7	11.30	5.68	11.04	107.68	3570.80		3578.92	
32 Publishing & Printing (18)	DOUT .30	+1.0	10.96	4.80 4.74	14.31	21.68	766.88	778.15	769.91	
34 Stores (32)	1/0.74	+1.6	11.16			15.85	509.03	510.98	509.97	988.
35 Textiles (14)	211.41	+0.6	10.58	5.74 4.62	10.87	27.50	1096.85		1893.15	906.
40 OTHER GROUPS (94)	1405 89	+0.7	7.05	2.42	17.48	25.29	1485.94		1493.63	
42 Chemicals (221	1184 20	+0.9	12.66	5.29	9.30	43.58	1173.74		1178.30	
43 Conglomerates (14)		+1.9	10.58	5.27	11.16	36.04	1585.92		1541.27	
45 Transport (13)	2160.59	+1.0	10.53	4.34	12.37	56.58	2139.19		2119.34	
47 Telephone Networks (2)	1062.86	+0.8	11.41	4.65	11.43	22.38	1854.53		1054.07	977.
48 Miscellaneous (26)	1827.58	+1.5	9.49	4,50	11.89	44.84	1803.28	1804.99	1815.99	1225.
49 INQUSTRIAL GROUP (485)		+1.2	10.25	4.16	12.04	28.73	1119.60	1116.93		975.
31 Oil & Gas (15)	2139.26	+0.6	10.12	5.30	11.05	87.50	2127.22	2121.77	2134.02	1742
59 500 SHARE INOEX (5001	1217.63	+1.1	10.23	4.32	12.17	33.53	1284.38	1202.63	1203.46	1040.
61 FINANCIAL GROUP (121)	765.91	+1.2	-	3.44	•	28.35	756.85	750,41	744.11	681.
62 Banks (91	759.99	+8.5	22.70	4.58	5.79	35.37	756.00	750.17	753.24	665.
65 Insurance (Life) (B)	1283.20	+2.4	- !	4.94	-	47.56	1253.43	1248.16	1251.45	969.
66 Insurance (Composite) (7)	655.02	+2.0	-	3.76	-	28.34	643.14	633.98	634.14	520.
67 Insurance (Brokers) (7)		+2.5	6.86	5.73	19.40	45.26	1871.81			939.
68 (Merchan) Banks (11)	424.34	+0.5	2.1	3.98		9.70	422.10	421.41	399.72	351.
69 Property (49)	1173.81	+1.2	7.64	3.50	16.54	22.74	1159.96	1151.38		1241.
70 Other Financial (30)		+0.5	12.29	6.64	10.60	13.34	321.18	318.12	316.32	368.
71 Investment Trusts (69)	1205.42	+2.2		2.90	1.5	21.61	1196.83	1192.53	1190.22	939.
81 Mining Finance (1)	698.01	+1.S	10.71	3.86	10.50	22.25	687.75	677.48	676.20	568.
91 Overseas Traders (7)		+0.8	9.92	5.78	11.56	49.80			1363.25	
99 ALL-SHARE IN OEX (6981	1109.88	+1.1		4.45	_	31.96	1097,59	1994.19	1994.54	954.
	Index	Day's	Day's	Day's	Hov	Nov	Hor	Nov	Nov	Yes
•	No	Change	High (a)	Low (b)	7	6	3	2	1	290
FT-SE 100 SHARE INDEXA	2203.8	+25.6	2203.9	2193.8	2178.2	2169.6	2173.1	2154.1	2169.1	1825

	FlX	ED I	NTE	RES1	Γ			AVERAGE GROSS REDEMPTION YIELDS	Wed Nov 8	Tue Nov 7	Year ago (approx.)
	PRICE INDICES	Wed Nov 8	Oay's change	Tue Nov 7	xd adj. today	xd adj. 1989 to date	1 2	British Government Low 5 years	9.95 9.66	9.96 9.72	9.29
2 3 4	British Gevernment Up to 5 years 5-15 years Over 15 years Irredeemables All stocks	116.76 130.48 139.29 137.27	+0.44 +0.56 +0.54	116.64 129.91 138.32 156.43 128.01		10.50 11.60 12.71 13.42 11.52	6789	25 years. Medium 3 years. Coupons 15 years. 25 years. High 5 years. Coupons 15 years. 25 years. Irredecmables.	9.69 11.13	9.63 11.09 10.09 9.75 11.21 19.39 9.89 9.71	
6	Index-Linked Up to 3 years Over 5 years	139.35 138.46 138.41	+0.15 +0.34	139.14 137.99 137.96	-	2.79 3.21 3.15	11 12 13 14	index-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Inflation rate 10% Syrs. Over 5 yrs. Over 5 yrs. Sebs & 5 years.	3.65 3.62 2.83 3.43	3.69 3.64 2.87 3.47	2.84 3.56 1.74 3.39
	Debentures & Leans		+0.11	107.49 86.37	-	9.19 3.26	16 17		12.32 11.90	12.37 11.91 10.70	11.03 10.70

Appening Index 2196.4; 10 am 2197.7; 11 am 2199.5; Noon 2198.3; 1 pm 2196.6; 2 pm 2196.0; 3 pm 2199.1; 3.30 pm 2201.0; 4 pm 2202.8

(a) 10 15 am (b) 9.34 am (f Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday Issues. A list of constituents is available from the Publishers. The Financial Times. Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. Funding 51, % 1987-1991 has been excluded from the Calculation of low coupon gilt yields since 20/10/1989.

Brigsh Funds Corporations, Dominion and Foreign Bonds Industrials Financial and Properties Dis Plantations Mines Others	Rtses	Falls	Same
	97	1	5
	18	0	23
	559	222	820
	310	72	291
	31	19	44
	0	0	10
	85	12	74
	82	67	112
Totals	1,182	393	1,379

	•	Date	High	UW					1				
- 衛星			SS SINGE THE SECOND SEC	San Fast State Care and San Indian	Akt Lorston **Auto of Die **Beschwis Die **Beschwis Die **CLA Grosp **CLA Gros	simulan 59 per	583-1100 88 649 570 445 953 455 455 455 455 455 455 455 455 455 4	2 2 24 70 422 17042 2	1225 674% 4235 674% 430 430 430 430 430 430 430 430 430 430	2.5 5.9 1.9 1.4 2.5 2.5 2.5 2.5 3.6 2.5 2.5 3.6 2.5 2.5 3.6 2.5 3.6 2.5 3.6 2.5 3.6 2.5 3.6 2.5 3.6 2.5 3.6 2.5 3.6 2.5 3.6 3.6 3.6 3.6 3.6 3.6 3.6 3.6 3.6 3.6	3.6 2.4 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7	126 93 119 119 17.0 12.9 12.9 12.2 12.2 12.2 13.4 14.4 8.3 8.4 8.9	
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bsse Price		nount l	Latest Renunc		1989		Stor	*		P	stag ice	+ 07	
		-	Date	High	Low						E		
105p 100p 100p 100p		PPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPPP	20/10 17/11 8/12	1034 1034 1034 1034 1034 1034 103 103 103 103 103 103 103 103	929 929 749 7559 4569 979 9815	Bowater Inds. a British Alexana British Alexana Laird Gep. 7pt City Site Ests. Flessing Ind. H Cartanore Am. 1 & 5 Optimum Leveraged Oppo Razionetide Am. Do. 4 Zipc Ind	to 7.75; Cap. 9.3 In. Or P Herr 5 lg. Igh Zero Secs. Ze Income ortanety offiz 134	PE CY 1.2004 De CY R Div. Pi 0 Div P 751 Zen 151 Cy L 161 Bds	9 100	67	Star Sec Sec de	されなれられれ や	

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Frice	Amount, Paid	Latent Remone		69	Stock	Clastag	+•
	(de	Date	High	Low		•	١-
orecasi, or ruspectes o or 1990-9) esed on pro- stimates fo filicial esti- atroduction Wotaness o	on arriven estimated or other off L. E. E. Lim espectus or or 1989/90 etates. Will E. E. Placing orlor & Unit	on full ca amostiface lotal exim ried angua other offi). Q Gross Pro Forma grade.ct R	pital g Ass dividend ra lates for 19 lised divide cial estima R Forecast i figures V laintroducti sitter marti-	54pm 4pm 3pm 3pm properties interest divid its. cover to 69, K Divid end, cover a tes for 196 famulies famulies famulies and famulies at A Differ	Prior 489 10b	special pays and yield b official est Dividend as s or other respectas of the as a "riv	ment ased limet offici offici offici offici

TRAC	TION	AL OPTIONS
First Dealings Last Dealings Last Declarations Last Declarations For settlement or rate indications see andon Share Service	Nov 6 Nov 17 Feb 8 Feb 19 and of	Calls in: Businese Tech., Control Secs., Mountieigh, Lelaure invs., Hanson Wis., AT Trust, Grootriei, Pavillon, Bannett & Fountain. Put & Call: Anglia Secure Homes.

LONDON TRADED OPTIONS

stock options accounted for the bulk of the day's business, with

bulk of the day's business, with Hanson etill the buslest. The recent rise in the gold price continued to lift Hanson, with its shares up 50 at 2230. Hanson options traded 2,452 lots, of which 2,001 were calls and 451 puts. The Mey 220 call series was the busiest, trading 1,100 con-

Interest in Polly Pock was prompted by news of its disposal of its Far Farstern to the

some investors were said to be hoping for further gains. Polly Peck traded 1,314, of which 1,187 were calls and 327 puts. Tha

est activity in Scottish & Newcas-tie. In the underlying merkel, shares rose on a bear squeeze. The option market lurned over 770 contracts, which was divided between 715 calls and 55 puts. Elsewhere, the approach of BP's third-quarter earnings figures this movaling spurred interest. BP

March 360 call series was the busiest, trading 505 contracts. Bld speculation triggered mod-est activity in Scottish & Newcas-

morning, apurred interest. BP traded 809 contracts, which was divided between 784 calls and 25

the cash market, and et one stage it extended this to 26 points, so the lutures market rose on a lack of Sellars. The tuturas merker closed at a 22-point premium. The reaction in the options market to the geins in the tunures market was mixed. There were worries that the equity market's advance had bean narrowly based. On the other hand, dealers pointed to the US stock market, which had clawed back most of

The FT-SE options bounced

back from the thin turnover ear-lier in the week, prompted by gains in the tutures market. The FT-SE December futures contract opened at a 13-point premium to

ı	of its Fa	r Ea	ste	m b	exti	e d	ivis	on.	puts.								Monday				Da	CK I	mο
ĺ	Botton			CNLLS	٠,		PUTS		College			CALL			PUT		O ption		Mar	CALL		Nov	FU Sa
l	AIM Lyons ("463")	460 500	30 14	46 29	55 37	22 50	30	57	Utd.Biscults (*358)	330 360 390	43	55	63	16	21	12 23	ASDA Erp. (*138) Option	130 140	23)9	24	21/2	1
	Brit. Airways (*194)	180 200 220	8 3	26 15 7½	19 11	S 13 28	7 16 28	11 19 32	C631 1	600 650 700	55 24	76 42	92 60		23	27 45 79	Gateway (*237)	220 240	ī		Z)1	
l	Brit Com (*119)	110 120 130	19 13 7	26 20 14	27 22 17	5 10 15	7 13 19	16	(°336)	300 330 360	30	40	70 50	5 12 25	20	멾	Polly Peck (*340)	330 360	2912	10 4 26 4	501,) 9 1 36 1
	Smithk Bales (*545.)	500 541 550	33	82 50	98 67	U	10	14 31	Option		Har	Feb	Nay.	Nes	Feb	May	Action	900	39	70	88 4	25 4	38 9
	Boots (*272)	240 256 280	36 23	45 34	53 40	3	5	8	Brit Aero	500 550	15	47	88 55 35	12	9 27	16 32	(*903) Option	_		45 \ Mar.		. Dec	654 . Ki
	B.P.	260	43	23	29	19	22	26	BAA (*362.)	330 360	34 10	45	58	1 7	6	11	Amstrad (*46.)	45 50	3ķ)0 7	91 ₂	31 ₂	ı
	(*300)	300	13	22	40 28	14	쁐	21 22	BAT Inds	390 700	1½ 70	13	39	31	36	39	(*474)	460 500	11 25	50 29	57 38	8 32	4
	British Seed (*128)	130		-	175	2	3	912	(767 1	750 800	31	64 40	116 86 65	15	38 63	25 45 68	Blue Circle (*222)	220 240	16	25	28 20	10	1
i	(*982)	900 950 2000	100 60 35	98 70	123	11 29 55	35	42	BTR (*436)	390 420	50 23	68 46	77 55	1	12	10 20	British Gas (*190)	200	15 و31	20	27 16	117 24	16
	C & Wee	460	55 29	77 53	92 67	14	20 36	24	Brit. Telepon	460 240 260	17	21 24	35 21	27	30 543	37 7	(*106)	180 110	12 6	161) 12	23 17	34z 74z	10
		1450 1500	20	-	-	5 45	-	-	(725)	250	31 ₂	11 1 ₂ 51 ₂	101	26	28	141, 29	Glare (*2473)	1400 1450 1500	110 74	132	207 172	16 32	30 47
	Courtables (*352.)	330 360 390	34 16 7	47 29 17	22	S 19	10 20 42	16 27 46	Cadhuy Sch (*341.)	330 360 390	17 5 2	36 22 11	45 30 20	5 25 52	14 30 52	21 37 55	Hawler Side (*540)		45 50 24	104 77 48	144 90 60	54 10 37	7(17
	Com. Union 1969 I	390 420	92 62	100 72	82	3	12	14	Guidanes (*5%	550 600	50 14	75 43	87 55	14 15	9	20 37	(*269)	260 280	19 8	32 21	38 27	7 18	11
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	(*342.) Grand McL	500	13 59	22 67	33 85	32 15	40 22	42 20	Harson	220 240	7	142	_23	312	12	1212	Midland Bk (*332)	330 360	5	28 14	33 22	30	23 40
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		1150 806	43	52	57	5	84	90 6	(*585) Pilkington	600 229	S1 ₁	37 24	51 1 34		36°4	15	THF [*291	280 300	23 10 ½	35 24	42 31	7½ 16	13 20
	(485) I	850 900	6	63	3	26 76	26 76	26 76	(°230) Plessey	240 240	30	12	24	16	11 20 L	24	There EMP (*768)	750 800	39 14	70 44	100 70	20 47	27
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	Lathrola	300	23	35	40	12	17	24	Prodestial (*202	100 250 220	24 7	31 17 8	35 20	1½ 5 20	5	12	Vani Recis	120 90	2 17	6 22	9 24	9 31 ₂	11
	(*307 I Land Secur	325 500	10	50	70	12	19	25	Racal	210	26	36		14	20 7	2 <u>1.</u> 10	Wellcome (*500)	100 660 700	12 52 24		18 21 (31 ₇ 7 18	30
	(519)	550	15	32	43	40	45	52	(*232	230 250	2	22 13		65 19	15 25	19		FT-S	E Ric	57 IEX (*	83 '2202	43	52
	M&S (*198)	190 200	10	34 21	36 24	10	11	8 14	R.T.Z. (*544)	500 542 550	18	44	85 52	12	20	15 - 32	CALLS	2001 2	2.000	190 2	150 2	200 2	
	STC (*268.)	250 250	22 13	36 19	40 28	7 18	14 25	17 27	Scot. S New (*352)	330 360	30 11	42 33	62	.5 17	17 30	22	Dec —	240 t 263 2	90 j 22 j	30 57 1 80)	86. 120	54 85	29 60
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	(*339)	347	13	-	-		-	42	(*56 1	60		4	6	56	612	8	FT-SE Index (

HOW TO RUN A BANK FOR PEOPLE WHO CREATE WEALTH

The American Express Bank is organised around the individual whose wealth is the product of personal enterprise.

How we serve such clients is as important as the services we provide.

Here are the principles that guide our managers in 105 offices in 42 countries.

UR MISSION IS TO SERVE today's most successful people and their businesses, around the world, around the clock.

Our clients are <u>creators</u> of wealth. They have little need of bankers who are passive stewards.

Instead, they will seek out the bank that is most ambitious on its clients' behalf, that is most successful for its clients, and, above all, the most responsive.

Excel in all these qualities, and your office will prosper.

THE MOST SUCCESSFUL PEOPLE ON EARTH

In your dealings with clients, mould your organisation to the client's own. Recognise and respect a client's ries with other banks. Heed those who counsel your clients.

Don't take on a new client unless you can pledge your top people. Make it a policy to exceed expectations.

Never preach to your clients. Learn from them. They are among the most successful people on earth.

Get to know each client like family. The client who is audacious in business life may shun risk when choosing investments for his private account.

Don't oversell. Promise only what you can deliver, and deliver quickly. Make security your passion. Guard client confidences like the Crown Jewels.

24-HOUR CLOCKS

American Express Bank maintains offices in 19 time zones, united by a highly secure electronic nervous system. We are a financial engine that runs on a 24-hour clock.

These four product families—Commercial Services, Savings and Investments, Special Transactions, and Treasury Services—are the soul of our enterprise. Make them your focus.

It is no accident that they mesh so neatly with the personal, commercial, and entrepreneurial needs of our clients. Currency traders positioned around the globe assure our clients of 24-hour access to foreign exchange and Treasury Services at highly competitive rates.

© Our specialists in asset finance, real estate, and other disciplines keep their bags packed. They can be at a client's side inside a day.

→ Timely information is often more valuable than gold to our clients. Not at all by chance, American Express Company is the largest private user of telecommunications services on earth.

When tragic floods in Bangladesh left 30 million homeless, bank staff often had to swim to work. American Express Bank stayed open as usual, serving its clients.

AN ELITE CORPS

In recruiting, be patient. American Express Bank is an elite corps. Hire only those who can *enhance* our reputation. They are rare birds. Seek out those few who combine these traits:

Character. Cast-iron integrity, brains, energy, stamina, and grace under pressure.

Verve. We admire activists who are willing to break some china within the Bank in order to be effective for their clients.

Entrepreneurship. We reward those whose solutions to one client's needs create fertile opportunities for other clients.

Unselfishness. Every Account Officer must be a "switchboard" connecting each client with whoever will best serve his oeeds.

Resilience. People who thrive on weeks of sustained effort, and who display a genius for keeping up with change.

Taiwan

Venezuela

"We will often engineer a product specifically for a private client." says one executive. "So the fit is exact. And with each new investment we create, our own horizon expands. Creativity feeds on itself."

HOW TO GROW SMARTER

It is the duty of every Senior Manager to apply unremitting pressure to maintain our standards in every area.

Never permit internal matters to distract your attention from client affairs. Delegate administrative tasks. See to it personally that your clients are *happy*, oot merely content.

Spend at least half your time outside your office, among clients. You'll be amazed at how much smarter you become.

Your office is like a ship. It will move faster when you scrape the barnacles off its bottom. Eliminate obsolete services and redundant departments. Banish committees.

Never forget for an instant that when your clients trust your people they are really trusting you. You are the captain of the ship.

Eradicate intolerance in any form. Ditto parochialism. We are international bankers, not village bureaucrats.

Respond instandy to requests from other offices and your own requests will receive equal attention.

Create an atmosphere of intelligent ferment within the Bank. Make life excioing. Those who cannot thrive on change have no business in banking today.



AMERICAN EXPRESS BANK

Argentina		Canada	Germany	Ivory Coast	Mexico	Philippines	Turkey
Austria		Caymun Islands	Greece]sp.m	Monaco	Singapore	United Arab Emirates
Bahamas		Chile	Hong Kong	Korea	Netberlands	Spain	United Kingdom
Babrain		China .	India	Lebanon	Nigeria	Sri Lanka	United States
Rangladesh	٠.	Eevat	<i>Indonesia</i>	Luxembourg	Pakistan	Switzerland	Urugusy

It is the custom of American Express Bank's most senior people to meet with prospective clients. To arrange an introduction, please contact the head of office in any one of these 42 countries.

UK COMPANY NEWS

Forsyth brothers resign from Leisure Investments

By Andrew Bolger

A GAMBLE by two brothers to take their small company, Leisure investments, into the big time ended yesterday with their resignations from the

troubled group.

Mr Stephen Forsyth was chairman and Mr James Forsyth a director of the company, which last November paid £170m for Mr Peter de Savary's LandLeisure group.

Leisure investments said

yesterday: "The Forsyth brothers believe that it is in the best interests of the company that they should step down from the board following the failure of their strategy of casino-led growth in the UK

and overse Mr Edward Vandyk, the group's recently appointed chief executive, stressed that the Forsyths' departure was amicable. Leisure Investment shares, which last year were over 110p, closed yesterday at

42½p, up ½p. Leisure Investments also announced yesterday that it intended to sell off Lingfield Park golf and racecourse com-plex in Surrey. Lingfield,

Leisure Investments Share price (pence)

opening of an all-weather race track, is likely to fetch over

The company has already sold the freehold of Aspinall's, one of its three London casi nos, for £40m to an unnamed foreign purchaser. It has also exchanged contracts to sell its other two London casinos, the Barracuda Club and the Park Tower, to First Hamblin, the private Midlands group, for \$30m. Interest has also been expressed in the company's casinos in Istanbul, Cairo and

Once all these disposals are completed, Leisure Invest-ments is likely to end up with no net debt and a market capi-talisation of about £80m. Mr Vandyk said that under its new chairman, Mr Andrew Love, the company would con-centrate on developing its health interests, which include Ragdale Hall in Leicestershire.

Ragdale Hall in Leicestershire.

Analysts said the Forsyth hrothers had paid top prices for casinos at a time when higger groups were getting out of the sector, because of a dearth of the so-called "high-rollers" who inflated casino profits in the 1970s and early 1980s. A Gaming Board review also raised questions as to whether raised questions as to whether

the company would keep Aspinall's licence. in the half-year to June 30, Leisure Investments made a pre-tax profit of £2.1m on turnover of £53m. Profit forecasts by analysts have been downgraded from ahout £30m to as low as £16m, most of which will come from property dis-

But Mr Cole-Hamilton said

Clydesdale Bank nears £60m

By James Buxton, Scottish Correspondent

PRE-TAX PROFITS of Clydesdate Bank, the Scottish clearer which National Austra-lia Bank bought from the Mid-£58.7m for the year to Septem-

When the bank'a 1988 pre-tax profits, which were for a nine-month period, are annualised at £39.7m this represents a

jump of 48 per cent. Mr Richard Cole-Hamilton, chief executive, ascribed the improved financial performance partly to trading conditions and to improvements in the running of the bank following the Australian takeover. But be indicated that NAB's original ambitions for Clydesdale have been scaled down.
Mr Cole-Hamilton said the

bank had benefited from the 4 per cent increase in average base rate over the year, while the charge for bad debts fell from £12.7m in the comparable period to £8.4m in the full year. Clydesdale's total assets grew by 21 per cent to £4.3bn at the end of the year.

Mr Cole-Hamilton said the results, the best in the bank's history, represented a "change of gear." But he doubted whether it would be possible to repeat the 48 per cent jump in rofits next year, nor the drop

severely restricted during its last years under the ownership of the Midland because of the London bank's own difficulties. Mr Ritchie Robertson, general manager of retail banking, said that morale in the bank had never been higher.

When NAB took over Clydesdale, along with the Northern Bank in Ulster and the Northern Bank (Ireland), it said that Clydesdala would be "the spearhead" for an assault on the English market and later

yesterday that NAB's expan-sion plans for England were likely to complement the Clydesdale rather than be directed by it. NAB is known to be interested in buying Yorkshire Bank, the regional bank owned by four clearing banks, which is up for sale, and has often expressed interin had debts. The Clydesdale had been and has often expressed interest in buying an English build

ing society. Mr Cole-Hamilton said that if NAB made either of these moves Clydesdale would wish to sell appropriate financial services products through whatever branch network NAB acquired and offer its corporate customers a wider branch net-

His remarks imply that for the foreseeable future the bulk of Clydesdale's husiness is likely to be confined to Scot-

Mystery stake built in Morgan Grenfell

By Richard Waters

A MYSTERY stakeholder in Morgan Grenfell emerged yes-terday as the market continued to look for a hidder for the beleaguered UK merchant

Barings Securities announced that it had bought 100,000 shares at 400p each for Delaporte Establishment on October 31, taking that group's total holding to 2.23 per cent. It described Delaper cent. It described Dela-porte in its announcement as a "French group", though it was unable later to confirm this. Barings' corporate finance arm, which is advising Morgan on its search for a white knight, said later that it had

been unable to establish any-thing about the identity of Delaporte. Barings was called in after the announcement two weeks ago that Banque Indo-suez had taken a near-15 per-cent stake in Morgan, and intended to take this to 25 per-

The emergence of the Delaporte stake came as Hanson disclosed that it had reduced tts holding in Morgan to 2.42 per cent, with tha sale of 650,000 shares.

Another large shareholder,

Deutsche Bank, with 4.99 per cent, refused to comment on its intentions yesterday as its name continued to be linked to Morgan. Previous finrries of bld

rumours around Morgan had hrought declarations from Deutsche that it intended neiits stake, but it was unwilling to repeat these yesterday.

Abbey silent on French buy rumours

Abbey National last night refused to comment on press reports that tt is about to reports that to is about to make its first acquisition since its flotation last June by purchasing Ficofrance, a French mortgage company which has a £400m mortgage book.

Analysts said Ficofrance

analysts sain Ficultance would be likely to fetch about 240m, but that Abbey National was probably not planning a straightforward takeover but may seek to enter the French market with a partner.



Tony Clegg's deals in Mountleigh shares

October 1988 - sells personal stake of 5.4 per cent to consortium of directors, of which he is a member, for 180p a share. November 1988 - consortium sells the 5.4 per cent stake to SASEA Holding of Geneva at

200p a share. February 1989 - buys 0.2 per cent on market at 165p. March 1989 - buys 14.1 per cent from SASEA at 180p a share. May 1989 - obtains option on 7.6 per cent held by Newcombe Investments, subsidiary of Organizacion Diego Cisneros of Courses at 180p a share. of Caracas, at 180p a share. November 1989 - sells stake to Mr Nelson Peltz and Mr Peter May for 200p a share and option for 20p a share.



Peter May (left) and Nelson Pettz: Giving Mountleigh a new role

Opportunists close Clegg chapter

Paul Cheeseright on Mountleigh's future under its new controllers

OR TWO days it seemed like old times before the equity market crash: a bouncing share price in antici-pation of, and in reaction to, a new deal. But for Mountleigh, the property group, the latest market movements look more

like a last throw.

Mountleigh, indeed, looks set for a period of rapid change that may well take it out of the property industry — its assets sold off — and into a new role as the instrument used by Mr Nelson Peltz and Mr Peter May to buy into undervalued Euro-

The two American business men, self-acknowledged oppor-tunists, plan to diversify Mountunists, plan to diversity moun-tleigh's activities: "If we see value, hopefully we will seize on that vaine." But, said Mr Peltz, "I don't know what industry we might be in." The Peltz and May partner-

ship has taken effective control of Mountleigh, with 22.5 per cent of the equity, but claims to know little of the assets in the company beyond what has been published. But, "if there are assets which need to be sold, they will be," said Mr

So, the company that Mr Tony Clegg created out of an old textile mill – first a prop-

ment company with a Spanish department store chain - will change course again.

The market knew something was in the air. The share price went up 9p

Peltz and Mr May do not plan a general offer.

Yet Mr Clegg will not be there to see the changes they make. His chapter in the company's corporate history has been written. Illness and financial. cial pressures seem to have closed that chapter and he has sold out his stake at a premium to the market price but at a discount of 53p to the his-

A lithough Mr Clegg had appeared to be fully recovered from hrain A recovered from hrain surgery over a year ago, the strain has clearly been telling. But beyond that the financial climate has changed and this has clearly affected his ability to carry his shareholding.

When, last March, Mr Clegg bought back into Mountleigh, it is believed that he borrowed

erty trader and latterly an aspirant development and invest-sary to fund the transaction. It sary to fund the transaction. It was a large, and ultimately too heavy, personal burden at a time of high interest rates.

The man who provided the means to escape that burden was none other than the man who hrought Mr Clegg his hig-gest deals at the time Moun-tleigh was riding highest, tickto 138p on Monday and another who brought Mr Clegg his higgest to 163p yesterday. But there may not be much hid stimulus left in the price. Mr leigh was ridge the stock market with ling the stock market with li every deal - Mr Paul Bloom-field

Mr Bloomfield is a property Mr Bloomfield is a property trader, now the biggest single shareholder in Benlox. His partnership with Mr Clegg drove Mountleigh in the mid-1980s. Mr Bloomfield created the deals. Mr Clegg financed them. Yesterday looks like their last donble act. Mr Bloomfield introduced Mr Peltz toric net asset value of the and Mr May to Mr Clegg. That was two months ago. Mr Peltz and Mr May were

looking for a European investment following the sale of Tri-angle Corporation, the packag-ing group they had rescued and built up with the belp of junk bonds issued through Drexel Burnham Lambert, then the masters of that field. They are said to have made \$835m between them on the sale to Pechiney for \$1,26bn. Given the conditions on the

stock market and the current low regard in which property companies are held hy investors, bir Clegg's stake was not

ountleigh has recovered somewhat from the turmoil of 1988 when there were boardroom

rows and, more importantly, a need to sell properties rapidly to reduce gearing.

When Mountleigh received £148m cash to settle the sale of Paternoster Square in the City of London, gearing slipped back to around 68 per cent, not the sort of level that would worry Mr Peltz and Mr May. Property assets are in the latest accounts at about £630m of which two thirds comes from Galerias Preciados, the Spanisb department store. There is rental income of around £30m

year. The two Americans are taking over as chairman and joint managing directors at Mountleigh and bringing in two of their own non-executive direc-tors. The existing Mountleigh management team will stay in place, they said. But analysts expect Mr Bruce Bossom, an executive director, to stick hy plans made before the American arrival and depart shortly.

MBOS-WHO'S NEXT



HAYS PLC

buy-out-November 1987 Finance raised £275 million FLOTATION OCTOBER 1989

BPCC

buy-out-January 1989 Finance raised £265 million

HUMBERCLYDE FINANCE GROUP

buy-out-September 1987 Finance raised £204 million SALE TO COMPAGNIE **BANCAIRE SA**

AUGUST 1989

CARADON PLC

buy-out-October 1985 Finance raised £66.7 million

FLOTATION JULY 1987

FAIREY GROUP PLC buy-out - December 1986

Finance raised £50 million

FLOTATION NOVEMBER 1988

RENTCO INTERNATIONAL

buy-out-May 1987 Finance mised £45.8 million **SALE TO** TIPHOOK PLC **DECEMBER 1988**

NKF HOLDING BV (led by Candover's Netherlands Associates, Venture Capital Investors BV) buy-out-December 1986 Finance raised

£38.4 million FLOTATION (AMSTERDAM) **MAY 1988**

DWEK GROUP

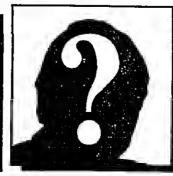
buy-out -- September 1988 Finance raised £38.1 million

TALLENT ENGINEERING

buy-out-January 1989 Finance raised £11 million

RECHEM **ENVIRONMENTAL SERVICES PLC**

buy-out - December 1985 Finance raised £2.25 million FLOTATION **MAY 1988**



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New stores provide most of Sainsbury's growth

By Maggie Urry

J SAINSBURY, the food supermarket and stores group, yesterday announced an increase in pre-tax profits of 15 per cent from £186.4m to £215.1m for the 28 weeks ended

September 30.

The results ahowed, however, that the group has not been immune to the difficulties

in the retail trade.

The main business, the food retailing chain, continued to expand and opened eight stores in the first half with plans for another 14 in the second. During the year 23 smaller stores are being

closed.

The group has opened its first store in the north-east, in Middleaborongb. Mr Ewan Davidson, treasurer, said that there was still plenty of scope to open naw outleta since half the UK population does not live within 15 minutes drive of a modern Sainsbury store.

However, Mr Davidson admitted that except in areas such as the north-east, new Sainshury stores often took trade away from existing outlets. Analysts pointed out that as Sainsbury continued to restructure ita portfolio increasing the number of larger, more profitable stores, this would be a continuing problem.

problem.

Bearing that in mind, volume growth in the group's existing stores was barely positive in the first half of the year, with the 14 per cent rise in the chain's sales to £2.9bn coming through inflation, of coming through inflation, of 5.5 per cent, and new stores. Elsewhere in the group, Savacentre saw a slight fall in operating profits from £9m to £8.7m. In the comparabla period this was a 50 per centowned associate company, but was full-owned for the first half of this year. Mr Davidson said the new Merton store said the new Merton store, opened in February, was suf-fering losses but was expected to move into profits next year.

Two more stores are due to open next year.
Also the difficult trading conditions for non-food lines held back Savacentre's perfor

Homebase, the DIY chain. increased sales by some 13 per cent to £113.4m and operating profits by over 26 per cent to £5.3m. Mr Davidson said that all the increase in sales had come from naw outlets, with existing stores seeing sales maintained in money terms, meaning that volumes were

He said margins had improved because of tight control of costs. Shaw's, Sainsbnry's US

supermarket chain, saw a sharp rise in profits, both in dollar and sterling terms. In sterling, operating profits were up 54 per cent to £16m. A profit from a group of loss-making stores acquired last year and a general improvement in the existing shops was behind the

Among associate companies, Haverhill Meat Products was hit by a sharp rise rise in pig prices and made a small loss against a £2.1m profit in the comparable period.

The interest charge rose from £2.9m to £8.7m and Mr Davidson said he expected it to be £20m to £25m for the year as

Capitalised interest in the capitaised interest in the half year was £28.1m, up from £15.7m. Balance sheet gearing of 35 per cent at the half year would probably rise to 40 per cent by the year end, he said, after capital expenditure during the year of £600m. Earnings per share rose 18 per cent to 9.5p and the interim dividend is increased by 17 per

DiVID	ENDS	ANNO	UNCE	D	
Angle Groupint	1.65		1.5	-	5
Bellway	7	-	7	11	10
Bibby (J)fin	5.75	Jan 11	5.75	8.5	2.5
Bimec Inds §int	0.331	Jan 3	-	-	
Fashlon Gen Invint	5	Jan 2	8	-	19.7
Gleves Groupint	1.5	Dec 20	1.2*	-	3.75
Hadleigh IndsInt	2	Jan 4	-	•	-
JS Pathology	1.8	Jan 12	1.8	-	5.5
McInemey Propsint	1.54	Dec 8	1.5	_	8
Oxford fristint	1.21	Mar 23	1	_	3.2
Sainsbury (J)int	1.75	Jan 12	1.5	~	5.05
Warner Howerdint	1.56	Jan 8 ·	1.3	-	3.75
Williamson Teafin	15	-	10	25	20

Dividenda shown bence a are net except where other erwisa stated "Equivalent after allowing for scrip issue. tOn capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. §Third market. •Irish currency throughout.

BOARD MEETINGS

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UK COMPANY NEWS

NE sales boost Bellway to £17m

By Jane Fuller

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RELLWAY, the Tyneside-based housebuilder, achieved a 21 per cent increase from £14.05m to £17.02m in pre-tax profits for the year to end-July in spite of fewer sales at lower prices in the south of England.

the south of England.

The company sold 1,700 houses in the year, compared with 1,640 last time. Turnover increased by 15 per cent to £118.13m (£102.49m).

Mr Kenneth Bell, chairman,

Mr Kenneth Bell, chairman, said: "The househuilding industry is going through a difficult period because of the Government's determination to control inflation by means of high interest rates, but our geographical spread has helped to cushion us from the worst

effects."

Buoyancy on the company's home territory is illustrated by the sales increase — from 400 to 600 homes. In the urban renewals division, which typically involves rebuilding on a cleared site, the number doubled to 300.

Overall, said Mr Alan Robson, finance director, sales were split evenly between the south, where the company was mainly involved in starter homes, and the north, where middle to upper market properties predominated.

In the south, he said, house prices had fallen by about 10 per cent, and incentives had had to be offered. To reduce the impact on profits, overheads had been cut by about 15 per cent, including an office closure and redundancies.

in the north, although he

expected prices to level off, he did not go along with forecasts in a Morgan Grenfell report that they would fall by as much as 15 per cent next year. The company was continuing to sell houses ahead of completion and prices had not

l lost touch with incomes as in the south.

Profit growth would have

Profit growth would have been greater had it not been for losses on a one-off conversion contract, resulting in an exceptional provision of £1.7m. The effects of this were amellorated by selling part of a shareholding for £700,000.

Thanks to £20m raised by a preference share issue, borrowings fell below £2m, reducing gearing to less than 3 per cent. Earnings per share rose to £1.2p (35.1p) and an unchanged final dividend of 7p makes a total of 11p (10p).

O COMMENT

In harder times, Bellway has shown its stoical qualities by cutting overheads, slashing debt and making the most of unglamorous but stable work, such as for housing associations. Through its involvement in starter homes, it could feel the first effects of any upturn. Meanwhile, the most promising growth prospect lies in the often grant-aided redevelopment of derelict land. Yet with the prospect of sales staying aluggish in the south for most of the year, the question is how much will this drag down profit levels generated in the north, where house prices are expected to level off, or worse? Forecasts are for an unsurprising fall in profits to about £15m, but with earnings per share also reduced by the issue, the prospective multiple is 5.5. It looks worth buying, especially in view of the decent yield. How exciting its prospects are will depend partly on the speed with which it switches out of caution-mode to take advantage of opportunities to buy land and distressed companies.

NEWS DIGEST

Recovery continues at Bimec

BIMEC INDUSTRIES yesterday reported another firm step in its recovery programme.

In the six months to end-September the USM-quoted group reported taxable profits of \$904,000 - a result that compared with losses of £59,000 in the corresponding period of \$1988 and profits of £704,000 for

the previous full year.

Over the past two years, Bimec has expanded from its core environmental operations to take in activities in the aerospace, electrical and air control fields.

fields.

Mr Sam Smith, executive chairman, said: "The broadening of the group's activity into four separate sectors of the economy and the diversity of our businesses gives strength and reduces the vulnerability experienced when we were a single core husiness."

Anticipating record results

Anticipating record results for the full year, Mr Smith said the group's Order book currently stood at \$22m.

rently stood at £22m.

Turnover for the half year expanded sharply to £12.13m (£1.39m). Earnings per 5p share worked through at 1.2p, compared with losses last time of 0.1p and an interim dividend of 0.33p is declared.

Gieves improves to £949,000

Gieves Gronp, the tailor, publisher and motor dealer, increased pre-tax profits by £102,000 to £949,000 in the six months to end-July. Turnover was a little under £1m higher at £23,93m.

Below the line an extraordinary provision of £442,000 mainly reflected the relocation of the Redwood book and magazine manufacturing business and improving efficiency at Bookpoint, the book distribu-

on arm. Mr Tom Scruby, who took

O CO

over as chairman last July, said that with the exception of Redwood, the principal divisions looked well placed to achieve a reasonably good sec-

ond half.

The interim dividend is increased from an adjusted 1.2p to 1.5p from earnings of 4.4p (4.1p) per 30p share.

For the 1988-89 year as a

For the 1988-89 year as a whole, the group returned pretax profits of £2.08m from turnover of £47.69m.

JS Pathology ahead to over £2m

JS Pathology returned profits of \$2.04m pre-tax for the halfyear ended September 30, a 7 per cent improvement over the slightly depressed £1.9m achieved for the corresponding period of the previous year. Turnover of the London-

based pathology laboratory improved to £5.83m (£5.29m) and earnings worked through at 10.2p (9.5p) per 10p share. The interim dividend is a same again 1.8p.

Profits for the full 1988-89

Profits for the full 1988-89 year declined from £4.01m to £3.64m.

Marginal increase for McInerney

In spite of a 20 per cent increase in turnover from 1538.11m to 1545.76m, pre-tax profits at McInerney Properties in the first half of 1989 rose only fractionally — from 151.84m to 151.86m (51.83m).

This Dublin-based company, which has building, civil engineering and property development interests in the Irish Republic, the UK, Iberia and the Middle East, said that its spread of activities in both products and markets was a major strength and served to insulate it against sudden

swings in any one market.

After a lower tax charge of 12502,000 (12680,000) earnings were down to 10.2p (13.2p) per share. The interim dividend is held at 1.5p.

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Issue of Warramis to subscribe for up to 3,804,600 Ordinary Shares

Application has been made for the Warrants to be admitted to the Official List by the Council of The Stock Exchange. Dealings in the Warrants are expected to commence today, 9th November, 1989.

Particulars relating to the issue are available in the statistical services of Extel Statistical Services Limited. Copies of the offer document dated 26th September, 1989 containing the particulars of the Warrants may also be obtained during usual business hours from the Company Announcements Office of the Quotations Department of The Stock Exchange, 46-50 Finsbury Square, London EC2A TOD, up to and including Monday, 13th November, 1989 and from the registered office of the Company at Pickfords Wharf, Clink Street, London SEI 9DC, up to and including Thursday, 23rd November, 1989,

MacArthur & Co. Limited 30 City Road London ECIY 2AY

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9th November, 1989

Dumenil units pricing being urgently investigated

By William Dawkins in Paris DUMENIL LEBLE, the Paris-based financial services group, last night said the investigation of the pricing of Dumenil Trust Management's UK unit trusts would be concluded as soon as possible. Duménil is owned by Cerus, the French holding group of Carlo de Benedetti, the Italian businessman.

A spokeswoman for Dumenil said that initial indications were that units had been both over- and under-priced for mainly technical reasons, including settlement problems on the Spanish stock markets.

"Obviously, it's in everybody's interest to clarify the situation fast," she said. The

directors and trustees had called for dealings to be suspended the moment the problems became apparent, "because we felt we clearly could not quote a price if we did not know it to be correct,"

Investors would, in any case, be protected by the resources of Dumenil Leble, the independent investment bank and the immediate parent group, which last year produced net profits of Ffr408m, up from Ffr276m in 1987.

The group manages Ffr30bn ecross Europe for private investors and for companies, of which Ffr25bn is in France, mainly in the form of Sicavs or

mutual funds, the nearest French equivalent to a unit trust. The Ffröbn balance is spread between the UK, Belgium and Switzerland where Cerus Dumenil has three private bank branches, taken over recently from Chemical Bank.

Dumenil Leble attracted the attentions of Cerus in early 1988, mainly for its experience in money broking. Cerus took a 26.5 per cent stake, and then, a year later, launched a full bid, worth Ffr4.65bn. It was held up by the French Commission des Operations de Bourse (COB), which questioned the valuation Cerus used for its paper offer. Mr de Benedetti eventually changed the terms of the bid.

Shares sale helps Williamson Tea maintain £3.1m profit

By Clay Harris

WILLIAMSON TEA Holdings, owner of shares in tea companies in India, Malawi and Tanzania, increased its final dividend for the year to June 30 from 10p to 15p, as the result of the profit on selling shares in Plantation Trust.

Mr Richard Magor, chairman, said UK-based profits on the share disposal to CDFC Trust made the higher pay-out possible without encountering difficulties with unrecovered ACT. The final raises the total for the year to 25p (20p).

Although Williamson

increased pre-tax profits to £3.16m (£3.12m), this figure would have been lower without the share stake profit. Turnover was stagnant at £31.9m, and earnings per share rose to 55.49p (48.11p).

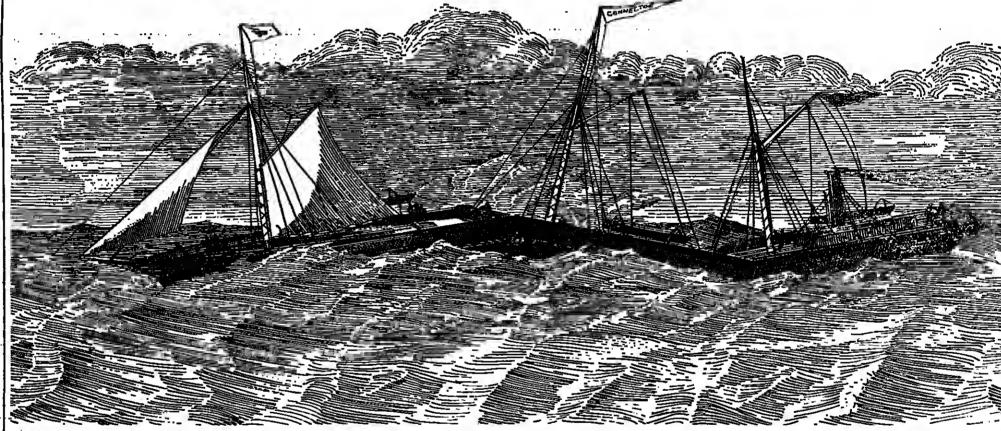
The number of tea companies quoted in London is dwindling fast. The Stock Exchange last week cancelled the listings of four companies with extensive cross-shareholdings — Lawrie Group, Assam-Dooars Holdings, Western Dooars Tea Holdings and Walter Duncan & Goodricke.

Williamson is the purest play in tea remaining, according to Mr Richard Howell of the stockhroker Sheppards. Each 10p per kg rise in the tea price sustained for a year lifts Williamson's pre-tax profits by £2.5m, he said.

However, its shares are tightly held and infrequently traded, contributing to the sharp rise seen this year. George Williamson, a private company, owns 52 per cent of Williamson's shares and clients of Sheppards own 24 per cent

I BIBBY A SONS PLC BIRBY PRELIMINARY RESULTS "The measures which Bibby has taken over the past two years to improve existing operations and divest itself of underperforming assets should lead to real benefits in the future. The creation of a single European market in 1992 will provide particular opportunities for growth for Bibby which already has well established operations in a number of European countries. The Company has the resources to make the right acquisitions and the management skills to ensure that these perform." Richard Mansell-Jones, Chairman SUMMARY OF RESULTS FOR THE YEAR ENDED 30TH SEPTEMBER 1989 £6603's 2000's Pre-tax profits £28,639 £30,183 Earnings per ordinary share Dividend per ordinary share A strong performance from Materials Handling and Science Products. Reasonable results from Agriculture, but disappointing performance from Paper & Converted Products due to the rapidly escalating cost of wood pulp. Copies of the 1989 Annual Report and Accounts will be available from the Company Secretary at 16 Stratford Place, London VVIII SAF

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ANGLOVAAL GROUP

Declaration of Preference Dividends Half-Year Ending 31 December 1989

Dividends have been declared payable to holders of prefere registered in the books of the undermentioned companies at the close of business on 24 November 1969. The dividends are declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 4 December 1989, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or office of the London Secretaries of the companies. rrants in payment of the dividends will be posted on or abut 31 December 1989. The transfer books and registers of members of the companies will be closed from 25 November to 1 December 1989, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

Class of share	Divide	end declare Cents
	No.	Per Share
6% Cumulative redeemable preference 5% Cumulative redeemable second	103	8
preference	84	5
8% Redeemable cumulative preference	35	4
d	Ang	jetered office glovani House 56 Main Street Johannesburg
	6% Cumulative redeemable preference 5% Cumulative redeemable second preference 8% Redeemable cumulative preference	Ciase of share 6% Currulative redeemable preference 5% Currulative redeemable second preference 8% Redeemable currulative preference 35

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UK COMPANY NEWS

Oxford Instruments hit by body scanning losses

TRADING LOSSES in Oxford Instruments Gronp's body scanning business, which has been merged with Siemens of West Germany, depressed profits of the high technology com-

pany in the first half.

Before a £5.35m exceptional gain on the sale and leaseback of the Eynsham factory making the magnetic resonances imaging equipment, group profits came out at £4m, against £5.28m last time. Group turnover fell to £38.3m (£47.6m), after a drop in sales of MRI magnets to £5.8m (£15.6m).

Mr. Peter Williams chief

Mr Peter Williams, chief executive, said uncertainty caused by the formation of the venture with Siemens had created a hiccup at the MRI opera-tion, but it had been perform-ing strongly over the last month. Sluggish sales growth in the other operations should be pertified in the second ball be rectified in the second half,

The purchase of Link Scientific Group, part of UEI when it was taken over hy Carlton Communications in the sum-mer, was the other main recent corporate development. This occurred in September, at the end of the interim period.

STOREHOUSE, the BhS, Habitat, Mothercare and Rich-ards retail group which is

today reporting interim profits, has been notified that Mr

Asher Edelman has reduced

his stake in the company by 250,000 shares. After the sale

he held 36.75m shares, 8.97 per

By Maggie Urry

cent of the equity.

initial £47.5m partly financed by funds released from the Siemens deal, analytical instrumentation had become the second largest activity in the group. Link is expected to make about £3.6m in the half-5.2p (6.9p). The interim dividend is lifted to 1.2p (1p). year, more than covering lost

interest payments on cash, but to have a slightly earnings-di-lutive effect in the next full Mr Williams said there was a

high likelihood that a further provision would have to be made at the year-end against cost overruns on the synchroton project for IBM, which aims to revolutionise the pro-duction of silicon chips. Provi-sions totalling £2.5m have already been made. Further problems with syn-

chrotron that had arisen dur-ing the six months had all been resolved. Field definition tests on the main ring magnets were proceeding satisfactorily, and final assembly of the ring, followed by trial running of the total system, should commence in mid-1990.

A rise in net interest receivable to £1.4m (£683,000) reflected better control of working capital as well as higher interest rates. Net borrowings, standing at about

comment to make on his deal-ings in Storehouse shares, and

could not remember the partic-

ular sale, which took place on September 9. He said of his stake, "one day I will try and make some money on it." Mr Edelman attempted to

launch a takeover bid for Storehouse earlier this year, but his approach was rejected

£10m after the Link purchase, are expected to be virtually eliminated by the year-end. Earnings per share, before the exceptional item, stood at

COMMENT

Oxford Instruments will have become much more interesting by this tima next year, when it will be known whether ths synchrotron works or not. If it does, and assuming no change in the product's competitive position, IBM's first order is clearly not going to be the last. The implications of selling these machines at not less than £15m a throw, for a comthan £15m a throw, for a company of Oxford's size, are manifest. There is nothing for the potential benefits in the share price at the moment; but a failure in the project would doubtless depress the price anyway, even though Oxford as a group would emerge largely unaffected — if disappointed. At this stage of the programme, the shares are probably at about the right level on a prospective p/e of about 14.5. This is on a profits figure, excluding is on a profits figure, excluding the property gain and after a synchrotron provision of Edelman cuts Storehouse stake

by the board. He has seen the value of his share stake fall sharply from a high this year of 198p to last night's closing

price of 106p, unchanged on

Storehouse revealed that Mr Edelman's solicitors said they

had notified Storehouse of the

sale on September 15, hnt that notification "did not reach us."

the day.

Seafield's holders take up 40% of rights issue

By Clay Harris

SEAFIELD, the transport and warehousing group, said that 40 per cent of the shares on offer in its £55.7m rights issue

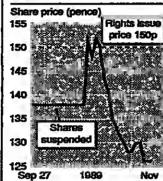
had been taken up.

The three-for-one issue was launched to help finance the \$41.9m purchase of Charterhall Properties, a retail devel-oper, and to raise £30m in working capital.

The rest of the shares were left with sub-underwriters, but Mr Dennis Jones, deputy chair-man, said the issue had been sold to institutional investors with that outcome in mind.

Seafield, a former Irish textiles company, would have pre-ferred to raise the cash through a placing with claw-back, he said, but the Stock

Seafield



Exchange insisted that share-holders be allowed an opporta-nity to deal in the nil-paid

In the event, they had only a few days to do so profitably before Seafield's shares fell below the rights price of 150p. Of the shares taken np. directors and certain shareholders subscribed for just over 4m. They irrevocably renounced their rights over 9.38m shares, which were placed firm with institutional clients of CCF Laurence Prust and the Dublin broker Butler & Briscoe. None of those shares was underwritten.
Of the sub-underwritten shares, nearly 2.19m, or 8.6 per cent, were taken up. Mr Jones said Seafield was

looking for acquisitions in warehousing and road haulage to restore the balance with the

Anglo Group rises but profit on RHM stake falls sharply

ANGLO GROUP, the company used by Sir James Goldsmith as a vehicle for his return to the UK corporate scene, has seen the profit on its invest-ment in Ranks Hovis McDougall reduced sharply during the

past month. However, the company said in its profits statement for the six months to September 30 that it was considering "appropriate ways of enhancing appro-priate ways of enhancing the value of this investment." Mr Charles Bailey, an Anglo director, declined to elaborate on intentions but the company

believed to have held talks with several parties about plans for the holding which include its disposal. Anglo's interest in RHM is held through its 35 per cent stake in Sunningdale Holdings which in turn has a 29.9 per cent stake

At September 30, the surplus after carrying costs on the indi-rect investment in RHM was £14.9m and the stake had a market value of £94.3m.

Mr Bailey said yesterday that the surplus had been cut to £9.5m by the recent decline in the RHM share price and the deduction of carrying costs.

Sunningdale borrowed half of the money to finance the acquisition of the shares and at September 30 Anglo had incurred a carrying cost of

The Sunningdale interest was acquired at 400p per share compared with yesterday's closing price of 435p, up 3p on

the day.
Anglo, through its leasing business, returned pre-tax profits of £4.7m during the September half compared with £3.87m during the previous corresponding term, representing a

sponding term, representing a 21 per cent improvement.

The interim divideod is increased from 1.5p to 1.85p, payable from earnings per share of 14.1p (11.8p).

The company was created last March when Anglo Leasing, a medium sized leasing company, became a subsidiary

company, became a subsidiary of the new parent through a one-for-one share swap.

Despite high interest rates there has been no evidence of

any tailing off in demand for Anglo Leasing's facilities and it is expected that Anglo Leas-ing will maintain progress in profitability for the remainder of the year. directors said. Anglo, which also controls Hoylake, the consortium that launched the £13.5bn takeover for BAT Industries, reaffirmed its intention to make a new bid for the tobacco-based conglom-

The original bid was with-drawn because Hoylake could not obtain clearance from US insurance industry regulators within the UK's hid time-table.

Sterling Publishing plans three purchases for £17m

By Raymond Snoddy

STERLING PUBLISHING, the trade and technical publisher which also owns Debrett's Peerage, is planning a signifi-cant expansion through acquisitioo in the US and the

The USM-quoted publisher has signed letters of intent to acquire three companies in related areas in deals worth a total of about £17m — Ster-ling's largest expansion

One company is believed to be in Florida, another in New York and the third in the UK. An additional two possible acquisitions are also under

negotiation. Sterling's main business involves the publication of more than 50 controlled circulation annual reference books aimed at particular industries

or sectors,

The annuals, soch as World Pulp & Paper Technology and Information Technology Applications Europe, are financed hy advertising.
The company reported a 69

per cent increase in pre-tax profits for the year to March £17.64m. City analysts have been forecasting profits of £4m

Setback in paper operations prompts decline at J Bibby

A SHARP downturn in its A Sharr downtum in its paper and converted products livision caused J Bihhy & Sons, the industrial and agricultural group whose ultimate holding company is Barlow Rand of Sonth Africa, to report

a setback in profits for the year emded September 30.

The pre-tax figure of £28.64m compared with £30.18m for the previous year.

Mr Richard Mansell-Jones, chairman, said the year was characterised by strong perfer.

characterised by strong performances from two of the group's divisions, materials handling and science products and a reasonable performance from agriculture, which was

operating in an unfavourable environment

However, these improve-tents were more than offset by poor results from the paper and converted products division which, in particular, found difficulty in reconping from its customers the increased cost of wood pulp, its principal raw material.

A hreakdown of the £31.73m trading surplus (£33.48m)

trading surplus (£33.48m) showed paper and converted products down from £5.41m to £1.41m; sciencs products improved from £9.51m to £12.55m; agricultural was slightly up from £5.26m to slightly up from £5.74m to £5.81m and materials hand-

ling ahead from £9.07m to

Discontinued operations made no contribution (£3.75m). Mr Mansell-Jones said the likely slowdown in the UK and US economies might result in less hnoyant markets in the near term, but the creation of a single European market in 1992 would provide particular opportunities for growth. Sales amounted to £515.36m

(£548.85m). Net earnings per share emerged at 16.62p (18.4p). An maintained final dividend of 5.75p has been recommended, making an unchanged total of

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UK COMPANY NEWS

Expansion will cut profits to £0.75m says Batleys chief

ES

BATLEYS, the cash-and-carry wholesale chain which family shareholders want to take private, expects to see pre-tax profits fall to £750,000 in 1990-91 because of its expansion programme, the group's chairman and founder said

yesterday.

Mr Lawrence Batley, who opened the first cash and carry, store in Huddersfield in 1958, said the trading outlook was bright for the current year and next, but the costs associated with opening new stores port with opening new stores next spring in Leeds and Glasgow

HADLEIGH Industries, which refurbishes trailers and makes storage tanks, reported a 32 per cent increase in interim profit

in its first set of results since joining the USM in June. Taxable profits in the six montba to September 30

increased from £499,000 to £60,000 on turnover ahead 24 par cent to £8.94m (£7.21m).

man and chief executive, said both the automotiva and engi-

neering divisions were experiencing strong demand which was at least partially reces-

sion-proof.
Although its trailer distribu-tion business was not as bnoy-ant, customers who were reluc-

tant to invest in new equipment ware renting or

The following changes in company share stakes have

been announced recently:
Albion: Mr George Steriopulos
now manages 191,000 ordinary
shares (5.09 per cent), made up

of the following: A G Invest-ments 176,000, Croit Vane Investments 15,000 shares (0.4 per cent). Applied Holographics: The

Universities Superannuation Scheme has bought a further 100,000 ordinary and is now

beneficially interested in 1.35m

(9.2 per cent).
AT, Trust: F J Porter has sold
235,000 ordinary shares, reducing his holding to 2.7m (7.7 per

Mr Anthony Cookson, chair-

Mr Batley said he expected profits to reach £2m on turn-over of £365m in the year to naxt April, after £1.38m on turnover of £329m in 1988-89. The average size of the chain's 11 stores is 105.000 11 stores 1s 105,000

sq ft. Family shareholders control 65 per cent of Batleys' equity, and a cash offer for the minority is expected to be made within about two weeks, Mr It will be financed by a loan the minority at \$6.5m.

spending on refurbishment.

The Ipswich based company's ambitions include building up a national network of trailer engineering workshops and of spare parts distributors; and to get fleet management contracts.

Last month's purchase of

Knrtrans Developments, a trailer body builder based in

Telford, would enable some space to be released at Purfleet

to expand the service and parts centre.

On the engineering side, Mr Cookson said water industry investment had increased

orders for storage tanks and pressure vessels.

Customers in the oil business were spending more on offshore equipment and on petrol station forecourts.

Fleming Holdings is now inter-ested in 13.66m ordinary shares

ents of Robert Fleming Asset

Hadleigh Industries up 32%

would temporarily depress from Swiss Bank Corporation. from swiss Bank Corporation.

Mr Batley said he saw no further use for the stock market listing which the group gained in 1972. "The purpose was to raise money on the stock market, but we've never needed to raise money, and there's not a right lot of reason to stay in."

to stay in." At yesterday's market price of 1309, up from 110p when the possible offer was announced on Monday, the whole of Batleys is valued at £18.6m and the wingsite of £5.5m

Mr Cookson has high bopes of a dooble-skinned fuel stor-age tank, which he said was virtually leak-proof and easy to monitor and replace because it did not have to be buried in

concrete.

With £1.2m in the bank from the flotation, the acquisitions being considered are an engineering management employment agency, a diesel engineering management agency and a diesel engineering and a diesel eng

spare parts operation and a supplier of exhibition equip-

Earnings per share rose to 9.1p (7.8p) and the interim dividend of 2p represents a 33 per cent increase on the notional one shown in the

Touche Remnant plans new £15m high income trust

TOUCHE REMNANT, the UK charge is a modest 0.5 per cent, fund management group now and the trust will have an inifund management group now owned by Société Générale, is launching a new high income investment trust.

The aim is to raise £15m via

the issue of ordinary and sub-scription shares, in units of five ordinary shares at 100p and one subscription share at

20p.
The subscription shares form a slightly unusual feature offering the right to subscribe for one further ordinary share between 1991 and 1996, on payment of 100p - like a warrant. However, unlike warrants the subscription shares, also carry an annual fixed dividend of 1.5p. This equates to a running gross yield of 10 per cent at the offer price.

Dividends on the ordinary

shares will be paid quarterly, and the initial gross yield is expected to be 7.9 per cent. The aim is for the dividend growth on the ordinary shares to at least match inflation over the

long term.
The annual management

Warner Howard rises 12% to £2.3m

Warner Howard Group, a supplier of commercial laundry systems, warm air hand-dryers and related prodocts, returned profits of £2.31m pre-tax for the half year ended August 3, an improvement of 12 per cent

man, said the group was cur-rently seeking expansion via acquisition and was also examining opportunities for trading throughout Europe.

tial life of seven years, with

sharebolders being given an opportunity to wind the trust up in 1997 and at five-year

The aim is to invest 75 to 85

per cent of the new trust's

assets in high-yielding UK equities, with the balance going into UK convertibles and fixed interest securities. The

trust will, therefore, be "PEPa-

ble" - that is, count as a quali-fying investment for Personal

Equity Plan purposes.
Touche Remnaot, at one stage the largest investment

trust stable, has seen a number of its trusts fall prey to corpo-

rate activity over the past coo-ple of years, although the posi-

tion has been more stable in the wake of the Societé Génér-ale deal.

This is the first new trust set

np by the fund management

group for some considerable time, and it is thought that it

intervals after that.

over last time's £2.06m. Turnover rose 15 per cent to

Pict Petroleum: Equity and Law Life Assurance Society has acquired 250,000 ordinary, making a total holding of 2.46m

director, has acquired 4,000 ordinary at 69p (0.22 per ceot). Stylo: On November 3, Mr Michael Ziff acquired 60,000 limited voting ordinary shares

on September 18 acquired 95,000 ordinary ahares (4.46%).

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FINANCIALTIMES

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9th November 1989

may be followed by another launch in the New Year.

£8.3m and earnings by 0.7p to 6.5p. The interim dividend is stepped up from 1.3p to 1.56p. Mr Ronald Hooker, chair

prospectus. The shares were placed at 160p and closed up 3p yester-

SHARE STAKES

ordinary shares as a gift from his wife. This brings his benefi-cial holding to 11.37m (52.97 per and 1.8m 5 per cent convertible redeemable preference shares (12.7 and 12.9 per cent). These shares are held on behalf of discretionary investment cli-Johnston Group: Mr James Michael Stuart Johnston bas acquired 4,835 ordinary shares (0.05 per cent) at 360p. Total beneficial bolding is now 651,380 (6.22 per cent). Lambert Howarth: Futnra

Management.
Cluff Resources; Provident
Mntual, following a recent purchase, is now interested in Holdings is now the beneficial owner of 567,500 ordinary shares (10.04 per cent).

Micro Focus Group: Mr Paul O'Grady has acquired 11,180 ordinary. The total holding is now 12 feb. 1 2.8m shares (6.02 per cent). Hornby Group: has received notification from Guidehouse Group, of which Mr D Mich-aels, a director, is a substantial now 1.21m (9.65 per cent) regis-tered in the names of Mr Paul O'Grady (1.14m), Ms Laura O'Grady (60,000) and Ms Laura shareholder, that it has sold ing his holding to 2.7m (7.7 per cent).

Auto Security Holding: Robert

Auto Security Holding: Robert

Auto Security Holding: Robert

Sharp, nee O'Grady, (11,180). Also on November 2, Alderside sold 100,000 ordinary at 360p. The total holding is now 2.12m (16.91 per cent) registered in the namas of Alderside (140,000) and Mr Brian Reyn-

olds (1.96m). Multitone: Mr Andrew Biancardi, a director, has bought 5,000 ordinary ahares at 55p each, bringing his total bolding to 16,500. Mr Heinz Helmut Moonen, also a director, bas acquired 7,500 ordinary, taking his holding to 10,800 (0.07 per cent). Mildred Karten, wife of director Mr Ian Karten, has bought 10,000 ordinary shares at 55p. The total holding is now 160,000 (L06 per cent).

(6.67 per cent). Safeland: Mr M J Segal, a

at 52p each and disposed of the same amount at 605p each. Mr Israel Arnold Ziff acquired 30,000 limited voting ordinary shares at 52p each and dis-posed of the same amount at

305p Usher Walker: DC Thompson

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In accordance with the provisions of the Notes, notice is hereby given that for the six months period (181 days) from 9th November, 1989 to 9th May 1990 the Notes will carry interest at the rate of 813/16 per cent.

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TECHNOLOGY

A stronger helmet for a safer ride

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فتتناش

MOTORCYCLISTS are in for a rude shock; so is the world's \$1hn crash helmet industry. Modern full-face helmets are a cause of death in motorcycle accidents. Still, the risk of death from these helmets is minimal compared to the dangers of not wearing any pro-tection. But the rigidity of modern helmets can contrib-

the to fatal injury.

The evidence comes from a four-year study by the Australian Cranio-Facial Unit in Adelaide. It has been investigating why some crash victims die from torn brain stems without suffering serious facial markings. It seems that frontal impact on the solid face-bar of a helmet which is held in place by chin straps causes the motorcyclist's chin and jaw bones to be pushed backwards, tearing the brain stem. "It's a bit like unplugging the brain," says Dr Rodney Cooter, a archer at the unit.

Although the unit's medical findings were published in the Lancet earlier this year, no remedy was offered. But Adealde's Centre for Manufacturing, which is working with the unit, announced recently that it had improved modern crash helmet design.

There are three suggested improvements:

Remove the chin strap and transfer it to the back of the head, where it would run under the curve of the skull -rather like the safety helmets used by construction workers.

Use absorbent pads across the cheekbones and over the nose to ensure that the energy of an impact spreads across

the face evenly.

Recast the existing face bars of a helmet to contain a collapsible energy-absorbing block of meterial which queezes on impact.
The improvements, tt is

argued, would afford a breathing space for the manufacturers to seek a longer-term solution involving a complete re-design with new materials. Although motorcyclists account for only e tiny propor-tion of road users, they account for a far larger share of road fatalities. In countries where crash helmets are required by law, an estimated 80 per cent of motorcyclists wear the full-face helmet.

ccording to legend. Archimedes, while agonising on how to authenticate hie king's golden crown, leaped from his beth with the cry "Bureka." Almost as dramatically, the Eureka programme, which began as a bright idea in 1985, has turned into one of the world's biggest research pro-

Eureka unites 19 European nations and the European Commission in e collaborative effort to heighten Europe's industrial productivity and competitiveness with other continents. There is no specific Eureka budget but its 1.600 participants - companies, academic institutions, governments, the EC – have already pledged to spend more than £6pn on nearly 300 projects. The Greek influence can still

be detected in such projects as Prometheus, an ambitious scheme to give road users some of the benefits of air traffic control, and lessen their impact upon the environment generally. Another is Elena, to be leunched next year as a sev-en-year mission led by Fiat to develop e more socially acceptable diesel engine.

If the Italians have their way, Eureka will become more

widely known in the next few months. Their turn for a year as chairman of the research programme has just come up. Fabio Pistella, Italy's Eureka representative, admits that there is public confusion about e Euro-programme based in Brussels that is neither an EC research programme nor in conflict with it.

He cites evidence which includes a water quality project that has been transferred and broadened from one of the EC's programmes to Eureka. Another is that the EC's own Joint Research Centre is eager to expand its involvement in Eureka projects – for example in developing new environ-

nent sensors. Enthusiasm in Brussels for Eureka has grown since Italy's Filipo Maria Pandolfi took office this year as European Commissioner for research and development. Previously, rela-tions between Brussels and Eureka were uneasy, one

Eureka official admits. Eureka embraces the 12 EC countries, the five EFTA countries, plus Finland and Turkey. It is primarily an industry-led research programme but its scope is all of science and technology. Its emphasis, however. is on how science can improve industrial performance.

Chris Sherwell

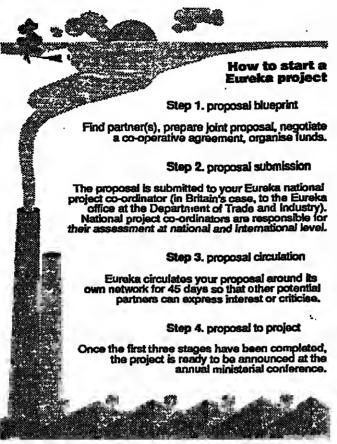
A Eureka project starts with the enthusiasm of a single

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David Fishlock reports on the Eureka research programme

Europe has found it



organisation anywhere within the 19 member states. This company has only to get the support of one other company, university or government agency abroad, for a project to

be to launched (see diagram).

Through their national
Eureka co-ordinators, the protagonists set about tapping
available sources of funding other interested companies, national research budgets, EC programmes such as Esprit. Meanwhile, the proposal is cir-culated on Eureka'e computer network. Eureka acts as o brokerage

for research and developme advising organisations looking for outlets for their research and development capabilities as well as partners to share the cost of developing their ideas. Eureka officials are proud of the way they have caught the

enthusiasm of Europe's car makers, almost without exception. Prometheus, launched two years ago, attracted 677 proposals from 109 companies in nine of its member states; 258 projects are now being funded. The car companies have already designed their first generation of intelligent

Pistella calls Fiat's proposal for Elena (engines low emission not aggressive) "a very ambitious project with admirable objectives." Fiat group companies in several countries are collaborating with univer-

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sities in a L130bo (£61m) project to develop diesel engines of 70-370kw capacity - 50 per cent less polluting and 50 per cent less noisy than existing

diesels. Environmental issues have begun to feature prominently in the Eureka programme, involving more than 10 per cent of the projects and 110 companies. Eurocare, a new Swedish-led programme for protecting Europe'e historical treasures – civic buildings, monuments, churches, and pre-venting further decay – has won widespread attention. It ranges from arresting further deterioration through clean-up of the materials often involved, to long-term measures of elimi-

nating the main pollutants. Volvo is involved with Euro care, says Sigvard Höggren, vice president of environmental affairs at the company. One of its subsidiaries specialises in the design of city traffic systems. It sees Eurocare as valuable for future control of traffic noise and polintion. Never before has a car maker and a conservationist come together as on this project, he

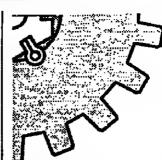
ENEL, the Italian electricity company, leads a project called Enviroet, which aims to create a meoagement eystem for timely evaluation of any measure that might be considered worth pursuing to improve the environment. ENEL expects Eureka to take three or four years to set up Enviruet. Its goal, it says, is better manage-meet of ecvironmental problems and fuller use of technologies that are being hobbled at present for lack of enough publicly convincing data on their

harmlessness.

Two Norwegian-led projects under way are Oceanor, which aims to monitor the oceans globally to give early warning of events such as oil spills and algae bloomings; and the clean-technology ship, pro-posed by the Norwegian Ship Owners Association. The clean-technology ship is a ves-sel designed to minimise its emissions to sea and air, and its chances of having an accident. Unlike existing ships, which mostly operate without being monitored, the cleantechnology ship would be con-

veillance. These Norwegian proposals are typical examples of projects that will work only if they are conceived as interna-tional projects, points out Pis-tella. Eureka is the ideal medium for melding European research with energy and the

stantly under entomatic sur-



WORTH WATCHING

Edited by **Della Bradshaw**

A quick deal for networks

DEALERS in foreign exchange, capital markets, commodities and futures now have a quicker way of getting their pricing information to

buyers. Knight-Ridder Unicom has developed a software pack-age for quotation input which enables dealers to send their Information instantaneously to a number of different networks using just one terminal Presently, dealers type in the Information Individually for each network — Reuters, Taierate and ADP, for example - or use just one network, which then owns the data and allows other networks to dip Into it.

The Knight-Ridder software is a spread sheet which can run on any IBM compatible personal computer. As the dealer typee in naw figures, the spreadsheet is automatically updated, and the new intermation sent simultaneouely to the networks designated by the daaling organi sation. Dealers input the information free of charge, and it remains their property.

A cool and green environment

ONE of the big problems with air conditioning systems in an increasingly "green" world is that they use chemical

The Swedish company Munters has developed an industrial unit which uses water instead of chemical fre-ons. As a result it can be run for only a quarter of the cost, claims the manufacturer. The system relies on the

old principle that when water evaporates it cools the sur-rounding air or surface the reason why people feel

cold when they smerge from a swimming pool.
With the Munters Coolex,

the air leaving the room or building is filtered through a wet pad, which humidifies it. As the air dries it becomes cooler, and this cool air is then passed through a heat axchangar and used to reduce the temperature of the air entering the building. The system can replace traditionet systems or be used as an added pre-cooler with installed units.

Meters read the battery charge

IT le frustrating enough when a torch battery runs out of power, but when industrial batteries come to the end of their life they can be dangerous, writes Andrew Wiseman.

Lithium sulphur dioxids batteries - extensively used in communications and eme gency medical equipment can explode, catch fire or release toxic chemic there is no charge left. But throwing such batteries away before their life is over le a

big waste of money. To help solve the problem, a Tal Aviv University team has patented what it claims is the world's first truly accurate "state of charge meter for lithium sulphur dioxide

The device incorporates a computerised meter which givae a capacity reading on a 10 to 100 per cent scale.

Quakes from transient stress

AS world attention remains focused on the causes of earthquakes, a scientist at the Georgia Institute of Technology has proposed a new theory for why earthquakes happen on America's east coast — where there are eo geological faults.

Most earthquake theories centre on plate tectonics where the rigid plates which make up the Earth'e surface grate together at the edges, causing quakes and volcanic activity. But the eastern US is in the middle of one of these plates and yet still suffers tremors.

After studying earthquakes beits in Missouri and Tennessee, Timothy Long, Professor of Earth and Atmospheric Sciences at Georgia Tech, con-cluded that the stresses which cause aarthquakes are transient. Fluids, such as leve, are squeezed from rocks and

released into the crust more than 20km below the surface. This weakens the rock structure, which begine to shift slightly under the stress, triggering smell tremors. The stresses build up until a big earthquake occurs.

Computers that plan the games

WHEN the World Student Gamaa takaa place in Sheffield in 1991 ti will be a jeal of planning — computer plan-

ning thei is. To ensure that everything is in place for the event from the sand in the sandoit to the variety of kitchens needed to provide food for different religious require-ments — the organisers are using project planning softwere from Pertmester International, of Bradford.

The organisers tap in data relating to things to need to be done, and how they relate to other dependent procedurea. The computer then orders and dates the tasks to be performed and prints out a timetable, in the form

By using the computer sys-tem, the organisers have dis-covered that they need to begin to put carpel the resi-dencea for the 6,000 competitors by next July - a year before the evant opens just to linish in time.

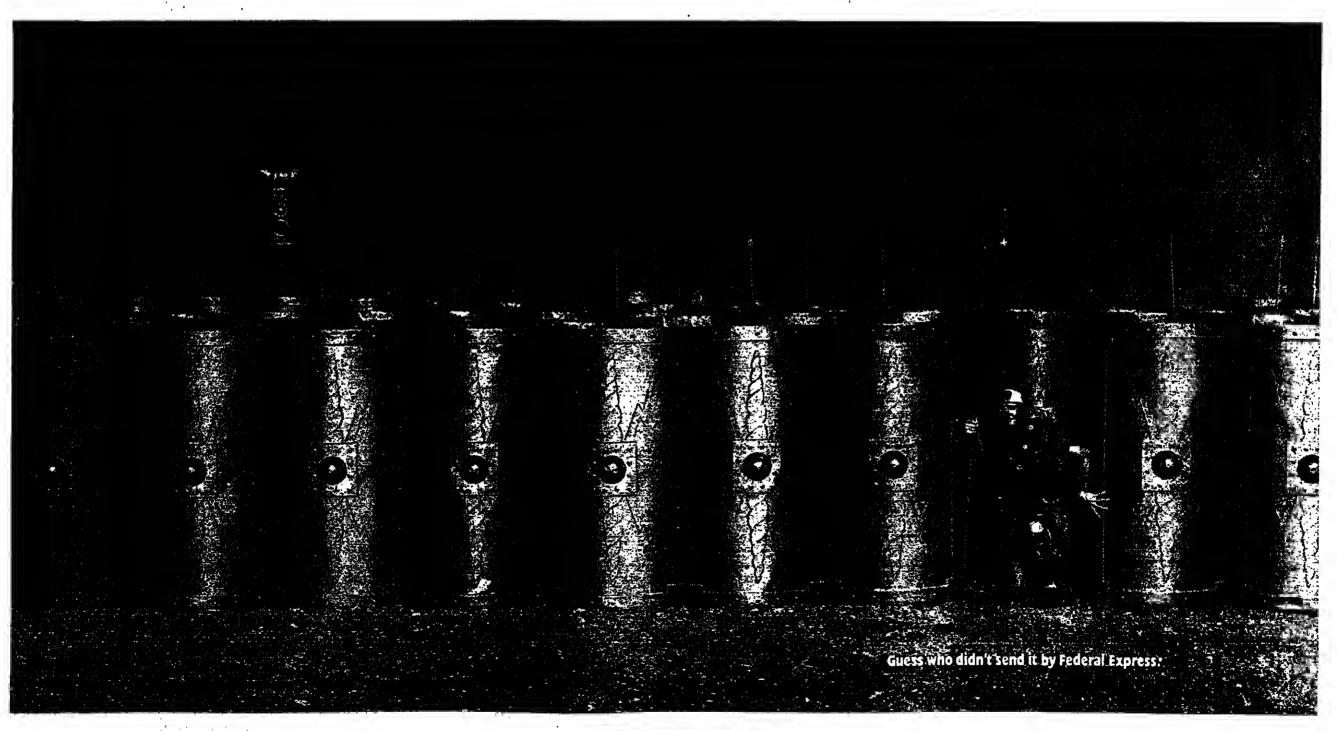
Leather that enjoys the rain

JUST in time to cetch the eyaa of this yaar's Christr shoppere are a range of gloves made from leather which is waterproof, but which can still "breathe"

The process, devaloped by tanners Pittards, of Yeovil, mimics the way birds' laathers are mada watarproof. Each of the Individual fibres in the leather is coaled with a cocktail of chemicals. (One pair of gloves contains about 7km of fibres.) Then the leather in its entirely is treated.

The process involves more than 40 stages, but the result is a pair of gloves which can be washed or drenched in the rain, but which will remain eoft when dried and will not be stained by the water,

Contacts: Knight-Ridder; London, 353 9621. Munters: Sweden, 87 54 71 00. Tel Aviv University: Israel, 3 414 653. Georgia Tech: US, 404 894 3444. Pertmaster: UK, 0274 734838, Pittards: UK, 0835 74321.



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COMMODITIES AND AGRICULTURE

Gold price touches 7-month high

By Kenneth Gooding, Mining Correspondent

SPURRED BY a weaker US dollar and Swiss buying, the gold hullion price soared to a seven-month peak of \$386.95 a troy ounce in London yester-

day morning. Profit-taking and a firmer dollar saw the price ease back to \$383.25 an ounce at the after-

to \$383.25 an ounce at the afternoon "fix", down \$1.00 from
Tuesday's closing level.
This did nothing to daunt
the gold hulls, however. "Gold
had gone up a hit too far a hit
too fast. So it paused for
hreath," suggested Mr Alan
Baker, deputy managing director of Sharps Pixley, the hullion broker.

lion broker. He said: "When the gold markat makes a major change of direction you can't put your finger on any particular reason. It is simply that the atmosphere in the market changes. And that change has taken

place.
"I would be surprised if gold is not beyond \$400 between now and the end of this year."

Ms Rhona O'Connell, precious metals analyst for the Shearson Lehman Hutton sinearson Lemman Future financial services group, also suggested "a test of \$400 an ounce by the end of 1989 is a distinct possibility."

However, she pointed ont that there was unlikely to be strong investment in gold from the US and Europe and, the market's halance was such "that, if this sector of the investment community does not return a hall trend cannot be the sector of the sector of the investment community does not return a hall trend cannot be the sector of the not return, a hull trend cannot

be expected to develop."

In a special report on the gold market, Ms O'Connell said that regional profit-taking and renewed forward sales by producers would be attracted above \$400 and buying hy the jewellery trade would probably ease. So gold would probably range between \$350 and \$450 an ounce next year compared with an average of \$375 for 1989.

Ms O'Connell estimated that total gold snpply this year would be 1,990 tonnes (about 64m ounces) rising to 2,050 tonnes in 1990, Industrial and fabrication demand would absorb 1,820 ounces this year and between 1,730 and 1,830 in 1990 leaving a surplus of 170 tonnes this year and between 220 and 320 tonnes in 1990.

CORRECTION Soviet speaker

Mr Alexander Arbatov, vice-chairman of the Soviet ing this evening at the British Institute of Energy Economics day's Financial Times was given at the Institute of Petro-

Hungary's farmers sniff at Perestroika

Montague Keen finds little sign of democratic euphoria in the country's agricultural sector

HE STATE farm manager made an eloquent gesture of cynicism in tne general direction of Budapest. where political parties were breeding faster than his sows. "Glasnost? Perestroika?" he snorted. "it's just the same as ever, here on the farm."

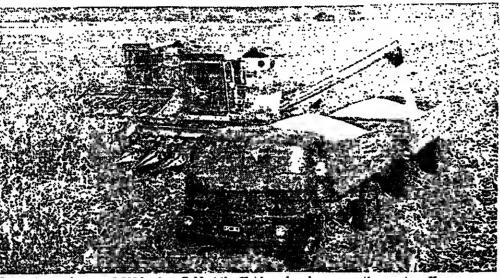
The euphoria of democracy

and the dedication to trade liberalism and market forces which has transformed Hungary's political scene have yet to be reflected in the country's most important industry.

Hungary is the breadbasket
of eastern Europe. Food and

frod products represent 28 per ceot of its convertible currency exports, half of them to OECD countries. And it sime to expand its food and agricultural trade with Western Europe, Austria and Scandina-via. Hard currency is desper-ately needed to help re-equip industry and agriculture, and Hungarian businessmen can see where the markets for high quality products are located. Secondly, Hungary dislikes barter deals, which act as a disincentive to quality, and is far from enthusiastic about receiving non-convertible currency from its Comecon neigh-

bours.
In stark contrast to Poland, where small operations and food scarcity are the rule. Hungary's agriculture is chiefly comprised of large co-operative farms. Ten times more numerous than state-owned farms, accusily large and well established. equally large and well-estab-lished, the co-operatives culti-vate three quarters of Hun-gary's fertile, largely alluvial, arable land and produce 80 per cent of its gross farm output. Most of the co-operators are employed on the farms, often in jobs quite remote from farm-



Harvesting maize on a 3,300-hectare field at the Hajduszoboszln co-operative, eastern Hungary

ing, and where wage levels are even lower than those prevail-ing in other industries (£1,500 a year is about the average). They are entitled to a rent for their land which, after the 1956 uprising they were encouraged but not forced to assign to a co-operativs. This followed the disastrous Stalinist experiment when all farms above 100 hectares were nationalised and arbitrarily redistributed to the peasantry in the early post-war

Increasingly, management has been allowed to make its own decisions. Centralised direction has been weakened and co-operative chairman, once state nominees, are now

Many workers, and all co-operators, have small plots on which they grow fruit, vegeta-bles and vines to make a necessary, and invariably tax-free,

supplement to their meagre incomes. Increasingly they have interlocked their smallscale hut lahour-intensive operations with those of the co-operative. Many rear and fatten pigs hred and owned by the co-operative, which sup-plies the feed and veterinary and extension services, or they fatten the co-op's calves or milk its cows, as contractors. Both parties seem happy to see this symbiosis thrive. The

co-op is best able to provide the central services, the artificial insemination, feed quality con-trol, crop protection, transport and marketing facilities; the small producer gets better per-formance from his livestock by employing a management tech-nique normally lacking in vast and impersonal production units - tender, loving care. Major changes are afoot,

however. Soon the absurdly

restrictive system which gives university-educated and highly trained managers incomes no greater than 50 per cent above the level of the lowest paid labourer — one of the main handicaps to greater efficiency levels — will be abandoned. It is part of a liberalisation process the most dramatic impact of which will be seen on January 1, when most food price controls, as well as farm subsi-dies, are due to disappear. No-one knows what will hap-

pen, but the general expecta-tion is that prices will rise by between 10 and 15 per cent. In a country where there are no real food shortages the emphasis will be more on qual ity than quantity. Only some lower grades of bread and milk will remain price-controlled.
Acceptable table wine, sold at
about 48 forints (about 50p) a
bottle from the co-operative

else the Hungarians will continue to turn more and more to beer, which is often dearer. Removal of most state support from farming is expected to usher in a period of chaos – the word Hungarians them-

winery, and retailed at a com-pulsory 62 forint, will almost

certainly rise; but not much, or

selves most commonly seize upon. Inflation wavers between 17 and 20 per cent, and interest rates are nearer 25%. Most farm directors run sub-

stantial and efficiently managed enterprises in which farm output is far less than revenue from food processing, feed com-pounding, road haulage, shops, hotels, furniture making, even ateel fabrication.

Along with the heritage of the years when co-operatives

were limited to the production of raw materials only, oppresof raw materials only, oppressive taxation has left many farms and factories with largely outdated buildings, machinery and equipment which there is often little money to modernise. Hence the appeal of joint ventures with western companies, lured by the prospect of low production costs, favourable taxation treatment and freedom to repa-triate profits.

Hungarian agriculture is structurally in a sound posi-tion to promote its exports of pigmeat, apples, onions, wine, pate de foie gras and farmed fish, given improved marketing expertise and the chance to modernise labour-extensive operations. It is likely to concentrate on processing its farm produce, partly to add value at home and partly because the European Community's protective mechanisms penalise fresh more severely than processed goods. And it will press with

By Lucy Kellaway in Brussels

THE EUROPEAN Community

yesterday published what it claims to be the most compre-

hensive inventory yet of damage to forests in the Community, according to which about

one in seven trees has lost

more than a quarter of its leaves, while only half the confers are in good health.

equal vigour at the General Agreement on Tariffs and Trade and in Brussels the Cairns group's case for abolishing import restrictions which hamper their exports, and the importance of protecting the fragile Hungarian economy from the runous consequences of importing luxuries it cannot

Of the many hazards ahead the most intriguing stems from the new laws giving farm cooperators the right to buy back their land, or its equivalent in productive value terms, from the co-operatives. There is no sign of a rush to do so. Most of the 800,000 co-operators do not have the money, and could not justify high-interest borrowing. Some would orefer to rent, but no-one has yet tackled the thorny problems of tenancy rules and rent determination. Not all prefer the high risks of independent farming to the secure if unexciting embrace of the co-operative. Moreover, many have lost any farming skills they or their fathers

might once have possessed.
While newly-created political
groupings look with envy at
the cosseted structure of their western neighbours' family farms and regard the hige state and co-op monoliths as rslics of Stalinism, others argue that it would be folly to break up well-integrated and viable units just to serve an ideological objective which would set the economy back 50

years. Whatever happens, swift changes are unlikely. But the farming world will watch with fascination the unique spectacle of a formerly straitjacketed farming painfully emancipat-ing itself into a market econ-omy.

Report reveals the extent

of forest damage in EC

Broker bearish on coffee price outlook

By David Slackwell

INCREASED demand next year nor the return of export quotas in 1991 is likely to lift coffee prices to the 120 cents to 140 cents a lb level which the international Coffee Agreement was trying to defend before its collapse in July, according to E.D. & P. Man, the London trade house.

in its latest report on coffee, Man said consumption compa raiole with the 1985-86 ievel of more than 70m bags together with the reintroduction of quotas based on more than 58m to 58m bags (60 kg each) would not be enough to push prices that high. The International Coffee Organisation's 15-day average indicator was 61.51 cents a lb yesterday.

The report is, in any case, pessimistic about the prospects of reviving the agreement. asserting that the oversupply of coffee is likely to keep the interests of individual International Coffee Organisation

members divergent.
The pressure of sales from origins has now eased and roaster demand has evapo-rated, leaving the futures markets vulnerable to speculation and nervousness. But another wave of heavy selling is likely early next year when Central American and robusta crops have been harvested.

Dutch plan legal action on lead in feed By Bridget Bloom

THE DUTCH Government expects to take legal action over the lead contaminated animal feed which has poisoned cows in the Netherlands and Britain, according to an

official.
Yesterday, in addition to nearly 400 affected Dutch farms, restriction orders were placed on 531 British farms, mainly in south-west England and the Midlands. Of some 250 farms so far

tested, milk on 89 was found to contain lead above the "trigger level" of 50 parts per billion, the Ministry of Agriculture said.

The affected mllk is being processed into milk powder and no danger to human health is posed, according to Britain's Milk Marketing

It is believed that some rice hran imported from Asia was contaminated from proximity during transportation to a leaking lead compound. The rice was then unknowingly included in high-protein maize ginten pellets supplied to feed

compounders.

Chicago

US urged to accept grain price compromise

By Bridget Bloom, Agriculture Correspondent

THE US should introduce a two-tier pricing system for grain which would give its farmers some guaranteed income hut would not distort international trade in the way that its current farm policies do, a new study declares. A report from the Australian Bureau of Agricultural and Resources Economics argues that such a pricing system would maintain the competitiveness of US grain production on world markets while substantially reducing the

farm aid hill. Such two-tier pricing, which being guaranteed support on an output which would he would also help to increase prices on the world market to the benefit of non-subsidising countries like Australia, the Dr Brian Fisher, director of the report, denied at a seminar to launch the report in Loodon yesterday that the two tier-price system would inevitably lead to international marketsharing arrangements. How-ever, he accepted that what was being proposed would effectively involve the imposi-tion of quotas at the level of hoth farmer and producing

country.

The two-tier pricing system was not an ideal solution, he said — the hureau would much prefer the complete abolition of all trade distorting subsidies. not politically feasible and so alternatives must be sought. The study, which provides comprehensive analysis of US

farm policies, notes that as the world's largest grain exporter the US has the power to influ-ence world markets. It's export and farmer subsidy pro-

grammes had (along with those of the European Community) greatly contributed to the greatly contributed to the "competitive subsidisation" which had resulted in "dramatically increased protection levels world-wide, caused prices to fall and perpetuated a system by which ail exporting countries lose."

The report estimates that the price discrimination element in the US Export Enhancement Program cost Australian wheat producers some \$200m in 1987

producers some \$200m in 1967 and 1988 and caused a consequent loss in grain production of around 1m tonnes

James Rudbeck, Agricultural Counsellor at the US Embassy, also present at the seminar, was prepared to comment on the applicability of the burean's solution within the context of the current Uruguay round of Gatt trade negotiations. Here, the US has proposed the ultimate abolition on a multilateral hasis of all trade-distorting farm subsidies, a stand broadly supported by the Cairns group of exporting countries but opposed by the European Community.

Most UK regions are reporting increases of between 5 and 10 per cent in the area sown to winter wheat this autumn, the Home-Grown Cereals Author-

Home-Grown Cereals Authority said in its October crop report, published this week. It said winter barley plant-ings were down slightly except

in Scotland, where a 5 per cent increase was expected as farmers continued to switch from spring sowing. All regions have reported increased winter rapeseed areas, with rises of 20 per cent in Lincolnshire and 25 per cent in Scotland. US Grain Policies and the World Market, Australian Gov-ernment Publishing Service,

The report stops short of drawing any policy conclusions or attempting to isolate the numerous causes of the prob-

lem. However, it warns that unless air pollution is reduced vival of forests across Europe will be in danger. The problem is not limited to small areas, the study shows. Heavy damage was recorded in the east and south west of Ger-

many, in Scotland, in the Netherlands, in Greece, in the

south of Spain and in the

Moreover, the damage covers both coniferous and deciduous trees. Even though the damage to conifers is the most advanced, the study shows that silver hirch, oak, beech and spruce tress are all suffer-ing unacceptably high levels of

north-west of Italy.

damage.
The study, carried out on large samples of trees in Europe, shows that in 1987 some 14.7 per cent of trees suffered defoliation of over 25 per cent, while in 1988 the figure fell slightly to 12.8 per cent. Despite the reduction in the number, there is no sign that the problem is receding. The Commission said that apparent improvement was more likely to be connected with the weather, or result from the larger sample of trees monitored in 1988.

LONDON MARKETS

COPPER prices continued Tuesdey's rise on the LME yesterdey, with general short-covering outweighing smell pockets of orolit-taking. The been helied by growing concern over possible Chilean supply disruption as the market enters the seasonally most active period of the year. Relet low warehouse stocks on both side of the Atlantic are elso eiding current midly bullish sentiment, analysts said Cocoa prices closed mixed - a lack of Iresh lundamental features end confinuing concern about the against the near December delivery seid. Reports that Nigerian fermers were threatening to withhold cocoa because of low prices helped to bring prices back from the day's lows in line with rising New York prices.

3FO: MDUME13			
Crude oil (per barrel FOS)		+	01
Oubal Srent Glend W.T.I. (1 pm est)	\$16.25-6.35w \$18 75-8 85w \$19 80-9 85w	-0.	15
Oil products (NWE prompt delivery per to	onne CIF)	+	or
Premium Gasoline Gas Oti Heavy Fuot Oli Naphine Petroleum Argus Estimates	\$183-185 \$183-184 \$98-100 \$163-165	-1 -2	
Other		+	Oľ
Gold (por troy az)@ Silvar (por troy az)@ Platinum (por troy oz) Polladium (por troy oz)	\$384,25 525c \$491,55 \$136,50	-1 -2.1	
Alummrum (tree market) Copper [US Producer) Lead fUS Producer) Nickel (tree market) Tim [Kuata Lumpur market) Tim [Kuata Lumpur market) Zinc (US Prime Western)	39 0c 475c 19,4 1r	+ 4 -5.6 -1.5 + 1 + 0	5 5 10 135
Catho (livo weighth Sheep (dead weight) Pigs (livo weight)	112.34p 206.51p 98.87p		17.4 17.4
London dady sugar (raw) London dady sugar (white) Tale and Lyle export price	\$371.6v \$339 6v £350.5	+7 +7 +4	2
Barley (English feed) Maize (US No. 3 yollow) Whoat (US Dark Northern)	£112 0 £126.5 £127.50	+0	1.25
Rubber seet ♥ Rubber (Doc) ♥ Rubber Jan) ♥ Rubber KL RSS No 1 Decl	56 75p 58.75p 59 75p 225.0m	+0).75).25) 25) S
Coconut oil (Philippines)\$ Palm Oil [Malayslan]\$ Copra [Philippines)\$ Soyabeans [US]	\$310 \$310 £168	-5.0	•
# # # # 1 to day.	99 70-	1.0	40

c-conts/lb. r-ringgit/kg. y-Oct. v-Oct/Doc t-Jani Mar. v-Nov/Doc. w-Dec. z-Jan/Feb114031 Commission average fatstock prices. " change from a week ago. \$\text{\$\}\$}}}\$}\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\e

								MGE		(Prices supptie				
	Close	Previous	High/Low			Cloc	ie .	Previous	High/Low	AM Office	al Korb	ciose	Орен	Intere
Dec	729 700	724	730 720		Akumini	lunt, 99.7	% purity (3	per tonne)			Rk	ng turr	nover 14	,850 ton
Mar May	700 711	697 710	700 681 712 702		Cesh	1775	-80	1760-5		1777-80				
lul	725	725	727 717		3 mont			1715-6	1730/1720	1726-7	1725			5 lots
Sep Dec	738 764	740 764	736 735 765 758				A E per ton				Flar	10 риц	nover 41	,300 ton
Mar	784	764	784 779		Cash	1686 hu 1669		1662-4 1667-8	1688/1667 1682/1665	1668-9 1672-3	1680-		77.54	7 lots
			10 tonnes		3 month	per toor		1001-0	1002/1003	10/2-3			_	,300 ton
orice fo	dicator p	1008 SDR	5 per tonni 45) :10 day	oj. Ugily		453-		150.60		454-6	п	any cur		, HUE
	8 810.43				Cash 3 mont			459-60 450-1	449/444.5	434-6 440.5-7	444-5	,	12,00	3 lots
COFFE	a - Lew	ion FOX		C/tonne		S per tor								870 ton
	Close	Previous	High/Low		Cash		_	10225-75	18300	10250-300				
Nov	709	707	717 703		3 mont			9875-900	9940/9800		9676-	900	6,929	lots
Jan Mar	691 700	685 696	694 582 702 692		Tin (\$ p	er tonne)				R	ing tur	mover 3	,045 Ion
May	718	715	720 712		Cash	7250		7360-70	7350/7300					
lul Sep	737 755	734 750	737 730 757 749		3 mont			7420-5	7430/7330	7400-5	7380-			lots
urnove	r: 2354 I2	1811 lots o	f 5 tonnes					per tonne)			R	ing tur	DOVEY 8	,325 ton
CO Ind	cetor pre	cos (US c	onts per po	ound) for	Cash 3 mont		-500 -51	1510-20 1455-60	1510/1507 1470/1450	1505-8 1466-8	1447-	50.	16.51	d lots
900 (; (11.51 (6	ютр. са) 1.39)	iy 022-309 (62	72), 15 day	TAGLEDQ.		per tonn								,475 ton
_	- Lond	on FOX	1\$ pe	er tonne)	Cash	1450		1475-85	1470	1470-6	<u>"</u>	ш		, mail
Raw	Close	Previous	High/Low		3 mont			1430-40	1710	1430-5	1410-	20	3,007	lots
Dec	334.80	333.00	330.00		LME C	coling \$/	S rate:					_		
Mar	329.60 324.80	328.00	330.00 326		SPOT:	1,5865	_ 3	months: 1.56	14	8 months:	1.5370		0 mon	the: 1.51
May Aug	324.80	323.40 315.80	325.00 321 317.40 314	L4Q										
C.	305.00	303 60	305.00 302	2.00	POTAT	063 -	DPE		⊈ tonne	LONDON DU	LLION 14	ARK ET		
Jec Jar	300 00 288.00	296.40	296.00 288 00 284	.00		Close	Previous	High/Low		Gold (fine oz)			£ equiv	miore
Yhite	Close	Previous	High/Low		Nov	131.0	130.0	130.0 129.0						
Dec	396.00	396 50	398.00 394	00	Apr	198.3	197.0	198.6 195.6		Close Opening	384-384 1 ₂ 388-388 1 ₂		242-242 244-244	
Aar	394.00	395.00	350.00 391	.30	May	224.4	225.0	224.7		Morning fix	383.20		243.702	
Aay Ng	401.50 411.00	329.50 408.50	409.50 398 408.50 408	1.50 1.00	Turnove	er 73 33	7) lets of 4	0 tonnes.		Afternoon fix			241.462	2
lct	384.00	384.50	384 00 382	2.50						Day's high Day's low	388-388 ¹ 2 382 ¹ 2-383			
loc lar	373.50 371 00		371.00 370 368 50 368		-	TAN T	AL - BPE							
1001	31 . 00													
ukowa	c Row 1	222 /7140			SUTAL				E/tonne	Coins	\$ price		£ equiv	wient .
	r: Rew 3 126 1065		lots of 50			Close	Previous	High/Low	Vionne	Mapleleat	393-395		£ equiv	
Vhile 1 Paris- V	128 1065 Vhito (FF	r per toor	lots of 50	tonnes.	Feb	Close 143,70	Previous 144.00	High/Low 143.70	Vionne	Mapleleaf Britannia	393-398 393-398		248-251 248-251	
Nhile I Parls- V	128 1065 Vhito (FF	r per toor	lots of 50	tonnes.	Feb Apr	143,70 141,70	Previous 144.00 142.00	High/Low 143.70 141.70	Violine	Mapieleaf Britannia US Eagle	393-398 393-398 393-398		248-251 248-251 248-251	
Nhile 1 Paris- N 1460, M	128 1065 Vhito (FF	r per toor lug 2587, C	lots of 50	tonnes.	Feb Apr	143,70 141,70	Previous 144.00	High/Low 143.70 141.70	Violine	Mapieleat Britannia US Eagle Angal	393-398 393-398		248-251 248-251 248-251 248-251	
Nhile 1 Paris- \ 2460, M.	128 1065 Vhito (FF ay 2525 #	r per toor lug 2587, C	lots of 50 no): Dec 24 lot 3437. De	tonnes. 175, Mar ic 2385. S/barrol	Feb Apr	143,70 141,70	Previous 144.00 142.00	High/Low 143.70 141.70		Mapheleat Britannia US Eagle Angel Krugerrand New Sov.	393-398 393-398 393-398 383-398 383-386 90-92		248-251 248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57	4312
Nhile 1 Paris- \ 2460, M.	26 1065 Vhito (FF ay 2525	r per toor lug 2587. C	lots of 50 no): Dec 24 lot 2437. De us High/Lo	tonnes. 175, Mar ic 2385. S/barrol	Feb Apr Turnove	Close 143,70 141,70 er 20 (60)	Previous 144,00 142,00 Sota of 20	143.70 141.70 tonnes.		Mapleleaf Britannia US Eagle Angel Krugerrand New Sov. Old Sov.	393-399 393-398 393-398 383-396 383-386 90-92 90-92		248-251 248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57	43 ¹ 2
Nhite 1 Parls- 1 9460, M. CRUDE Dec Jan	128 1065 Vhito (FF ay 2525 / OIL - 16 Close 18,77 18 46	r per tonr lug 2587, C PE Pravio 18 93	lots of 50 no): Dec 24 lot 2437. De us High/Lo 18.89 fr 18.54 fr	175, Mar 16 2385. 3/barrol 0w 0.73 8.42	Feb Apr Turnove	Close 143,70 141,70 er 20 (60)	Previous 144.00 142.00 Sota of 20 I	143.70 141.70 torines.	ex point	Mapheleat Britannia US Eagle Angel Krugerrand New Sov.	393-398 393-398 393-398 383-398 383-386 90-92	.30	248-251 248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57	43 ¹ 2
Nhite 1 Parls- N 9460, M PCAUDE Dec Jan Fob	1065 Vhrto (FF ay 2525 / Close 18.77 18.46 18.21	r per tonr lug 2587. C PE Pravio 18 93 18.54 18.25	lots of 50 no): Dec 24 lot 2437. De us High/Lo 18.69 fi	175, Mar 16 2385. 3/barrol 0w 0.73 8.42	Feb Apr Turnove	Close 143,70 141.70 or 20 (60) Close	Previous 144,00 142,00 Hota of 20 PRES - Br	143.70 141.70 tonnes. 12 \$10/ind		Mapieleaf Britannia US Eagle Angel Krugerrand New Sov. Old Sov. Noble Plat	393-398 393-398 393-398 383-398 383-386 90-92 90-92 497.45-505	i.30	248-251 248-251 248-251 248-251 241-2-2 56-3-57 313-55-2	43½ ¼ 4 318.50
White 1 Paris- 1 1460, M. Pec Jan PE Indo	18.77 18.21 18.21 18.21 18.21	PE Pravio 18 93 18.54 18.25 18.99	lots of 50 no): Dec 24 lot 2437. De us High/Lo 18.89 fr 18.54 fr	175, Mar 16 2385. 3/barrol 0w 0.73 8.42	File Co	Close 143,70 141,70 ar 20 (80) or PUTU Close 1689	Previous 144.00 142.00 Sota of 20 I	143.70 141.70 tonnes. E \$10/ind High/Low		Mapleleaf Britannia US Eagle Angel Krugerrand New Sov. Old Sov. Noble Plat	393-398 393-398 393-398 383-396 383-396 383-386 90-92 90-92 497-45-505 p/line oz	5.30	248-251 248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57 313.554	43½ ¼ 4 318.50
White 1 Paris- N 460, M 223DE Dec Jen Jeb PE Indo	28 1065 Vhito (FF ay 2525 / Closs 18.77 18 46 18.21 x	PE Pravio 18 93 18.54 18.25 18.99	lots of 50 no): Dec 24 lot 2437. De us High/Lo 18.89 fr 18.54 fr	775, Mar nc 2385. 3/barrol ow 0.73 8.42 8.20	Filencia Filencia	Close 143,70 141.70 ar 20 (60) Close 1689 1688	Previous 144.60 142.00 Sota of 20 (PRES - BF Previous 1690 1687	143.70 141.70 141.70 tonnes. E \$10/ind High/Low 1686 1685 1688 1680		Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot	393-398 393-398 393-398 383-398 383-396 383-366 90-92 497-45-505 p/line oz 331,75	i.30	248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57 313.55- US cts	43½ ¼ 4 318.50
White 1 Paris- 1 2460, M. Dec Jen PE Indo	28 1065 Vhito (FF ay 2525 / Closs 18.77 18.46 18.21 ax 18.90 c. 10150 c. 1892	PE Pravio 18 93 18.54 18.25 18.99	lots of 50 lot: Dec 24 lot: 2437. De us High/Lo 18.89 II 18.54 II 18.27 II	175, Mar 16 2385. 3/barrol 0w 0.73 8.42	Feb Apr Turnove Filtence Nov Dec Jan Apr	Close 143,70 141,70 or 20 (60) Close 1689 1686 1695	Previous 144.00 142.00 Sota of 20 (PRES - Br Previous 1590 1587 1895 1700	143.70 141.70 tonnes. E \$10/ind High/Low		Mapleleaf Britannia US Eagle Angel Krugerrand New Sov. Old Sov. Noble Plat	393-398 393-398 393-398 393-396 383-396 383-386 90-92 90-92 497-45-505 p/line oz	5.30	248-251 248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57 313.65- US cts 526.50 538.20	43½ ¼ 4 318.50
White 1 Paris- N 460, M 223DE Dec Jen Jeb PE Indo	28 1065 Vhito (FF ay 2525 / Closs 18.77 18 46 18.21 x	PE Pravio 18 93 18.54 18.25 18.99	lots of 50 no): Dec 24 lot 2437. De us High/Lo 18.89 fr 18.54 fr	775, Mar nc 2385. 3/barrol ow 0.73 8.42 8.20	Filterios Filterios Nov Dec Jan	Close 143,70 141.70 or 20 (60) Close 1689 1688 1695	Previous 144.60 142.00 Sota of 20 (PRES - Br Previous 1590 1697 1695	143.70 141.70 141.70 Ionnes. E \$10/Ind High/Low 1686 1685 1688 1685 1688 1685		Mapieleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months	393-398 393-398 393-398 393-398 383-398 383-396 90-92 497-45-505 p/fine oz 331.75 344.55	5.30	248-251 248-251 248-251 241 ¹ 2-2 56 ³ 4-57 313.55- US cts	43½ ¼ 4 318.50
Vinte 1 Varis- V V460, M V480,	28 1065 1065 1065 1065 1065 16.77 18.46 18.21 10.50 10.50 10.75 10.7	Provious 186.25	High/Low 189.00 185.00	175. Mar nc 2385. 3/barrol 0w 0.73 8.42 8.20	Filtericate Nov Dec Jan Apr BFI	Close 143,70 141,70 or 20 (60) Close 1689 1686 1695	Previous 144,00 142,00 30ta of 20 (RES - Br Previous 1590 1687 1695 1700 1654	143.70 141.70 141.70 Ionnes. E \$10/Ind High/Low 1686 1685 1688 1685 1688 1685		Maplelear Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 6 months 12 months	393-398 393-398 393-398 393-398 383-396 383-396 90-92 497-45-505 p/line oz 331.75 344.55 356.25 379.85	i.30	248-251 248-251 248-251 248-251 2411-2-2 563,-57 313.554 US des 526.50 538.20 548.60	43½ ¼ 4 318.50
White 1 Varis- V 460, M CHIDE Can less PE Indo	28 1065 10	Previous 18.93 18.54 18.25 18.99 18.54 18.25 18.99 18.54	Note of 50 no): Dec 24 let 3437. Dec 3437. Dec 18.89 if 18.89 if 18.27 if High/Low 189.00 185 181 75 178	175. Mar to 2385. S/barrol 00.73 8.42 8.20 S/tonne	Filtericate Nov Dec Jan Apr BFI	Close 143,70 141,70 141,70 17 PUTU Close 1695 1695 1696 1657	Previous 144,00 142,00 30ta of 20 (RES - Br Previous 1590 1687 1695 1700 1654	143.70 141.70 141.70 Ionnes. E \$10/Ind High/Low 1686 1685 1688 1685 1688 1685		Mapleleaf Britannia US Eagle Angel Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 9 months	393-398 393-398 393-398 393-398 383-396 383-396 90-92 497-45-505 p/line oz 331.75 344.55 356.25 379.85	i.30	248-251 248-251 248-251 248-251 2411-2-2 563,-57 313.554 US des 526.50 538.20 548.60	43½ ¼ 4 318.50
White 1 Aris V 460, M. WINDE Dec Len Ob Lurnave LAS Cil Lor Ob Ob	28 1065 White (FF ay 2525 / OIL - N Closs 18.77 18.48 18.21 x 18.90 r 10150 L - NP2 Close 167.75 174.25 174.25	Provious 186.25	High/Low High/Low High/Low High/Low High/Low High/Low 18.90 185 18.75 178 178 75 174 172.25 170	100 tonnes. 175, Mar 100 2365. \$/barrol 0w 0.73 8.42 8.20 \$/tonne 1.75 1.25	Feb Apr Turnove Plands Nov Dec Dec Apr BFI Turnove	Close 143,70 141,70 141,70 17 20 (60) 17 FUTU Close 1689 1695 1695 1695 1697 17 154 (23	Previous 144.00 142.00 160a of 20 160a of 20 160a 1600 1600 1600 1600 1600 1600 160	143.70 141.70 141.70 150nnes. E \$10/Ind High/Low 1686 1685 1688 1685 1688 1685 1700 1688	8x point	Maplelear Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 6 months 12 months	393-398 393-398 393-398 393-398 383-396 90-92 90-92 497.45-505 p/line oz 331.75 344.55 356.25 379.85	i.30	248-251 248-251 248-251 248-251 248-251 563,-57 313.65- US cts 526.50 538.20 570.90	43½ ¼ 4 318.50
White 1 Parise 1 460, M. 460, M. CHIDE Dec lan 60b PE Indo Lurnave LAS Cil Nor 60b Mar	28 1065 1065 1065 18 2625 / 16 18 26 18 26 10 10 16 10 16 16 17 17 17 17 17 17 17	Provious 186.25 188.35 18.54 18.25 18.99 Provious 186.50 176.50 171.26 166.00	High/Low High/Low High/Low High/Low High/Low High/Low 188.75 174 172.25 170 186.50 185	175. Mar 175. Mar 182 2385. S/barrol 0w 0.73 8.42 8.20 S/tonna 1.75 1.25 1.25 1.25 1.25	Feb Apr Turnove Plands Nov Dec Dec Apr BFI Turnove	Close 143,70 141,70 141,70 17 PUTU Close 1695 1695 1696 1657	Previous 144.00 142.00 160a of 20 160a of 20 160a 1600 1600 1600 1600 1600 1600 160	143.70 141.70 141.70 150nnes. E \$10/Ind High/Low 1686 1685 1688 1685 1688 1685 1700 1688		Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 6 months 12 months TRABSE OPT Aluminium (66	393-399, 393-398, 393-398, 393-398, 383-396, 393-396, 90-92, 497-45-505, p/fine oz 331.75, 344.55, 356.25, 379.85, iOMS	Calla	248-251 248-251 248-251 248-251 241-2-2 56-3-57 313-55- US cls 526.50 548.60 570.90	43 ¹ 2 ¹ 4 ³ 18.50 equiv
White 1 Aris 1 A	1065 1065 1065 1065 1065 1065 1667 1677	Previous 186.25 180.50 171.25 180.00 171.25 180.00 180.00 180.00 180.00 171.25 180.00	High/Low 189.00 185 189.00 185 18.27 1 High/Low 189.00 185 181 75 178 172.25 170 186.50 185 182.00 181	175. Mar 175. Mar 182 2385. S/barrol 0w 0.73 8.42 8.20 S/tonna 1.75 1.25 1.25 1.25 1.25	Feb Apr Turnove Plands Nov Dec Dec Apr BFI Turnove	Close 143,70 141,70 141,70 17 20 (60) 17 FUTU Close 1688 1695 1695 1696 1657 17 154 (23	Previous 144.00 142.00 160a of 20 160a of 20 160a 1600 1600 1600 1600 1600 1600 160	143.70 141.70 141.70 150nnes. E \$10/Ind High/Low 1696 1685 1688 1680 1638 1685 1700 1688	8x point	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 6 months 12 months TRABSE OPT Aluminium (66 Striko price \$	393-398 393-398 393-398 393-398 393-396 393-396 390-92 497-45-505 p/fine oz 331.75 344.55 352.55 379.85 1088	Calla Jer	248-251 248-251 248-251 248-251 241-12-2 56-14-57 56-14-57 313.655- US cts 526.50 538.20 570.90	43 ¹ 2 14 318.50 equiv
Vinte 1 Varia- 1 Vari	28 1065 1065 1065 18 2625 / 16 18 26 18 26 10 10 16 10 16 16 17 17 17 17 17 17 17	Provious 186.25 188.35 18.54 18.25 18.99 Provious 186.50 176.50 171.26 166.00	High/Low High/Low High/Low High/Low High/Low High/Low 188.75 174 172.25 170 186.50 185	175. Mar 175. Mar 182 2385. S/barrol 0w 0.73 8.42 8.20 S/tonna 1.75 1.25 1.25 1.25 1.25	Filterica Filterica Nov Dec Jan Apr BFI Turnove	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1888 1895 1696 1697 17 154 (20) 1897 1898 1895 1895	Previous 144.00 142.00 142.00 160 of 20 160 of	143.70 141.70 141.70 100nnes. RE \$10/Ind High/Low 1686 1685 1688 1680 1688 1685 1700 1688	ex point	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 13 months 15 months 16 Strike price \$ 1660	393-398 393-398 393-398 393-398 393-396 390-92 90-92 497-45-505 2447-45-505 344-55 345 345 345 345 345 345 345 345 345 3	Calla Jer 105	248-251 248-251 248-251 248-251 241-2-2 56-3-57 56-57 313-55 US cts 526.50 538.20 548.60 Nov	43 ¹ 2 14 318.50 equiv
White 1 Ariss 1 460, M. 460, M	28 1065 Vinto (FF by 2525 / C Close 18.77 18 46 18.21 10150 10150 10150 10150 178.25 174.25 174.25 174.25 165.50 161.00 167.00	Provious 186.25 186.25 186.25 187.00 189.30 18.54 18.25 180.50 170.50 171.25 186.00 160.00 159.00	High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172.25 170 189.00 181 181.27 16 181.00 185 181 75 174 172.25 170 185.50 185 182.00 181	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnove Filterical Nov Dec Jan Apr BFI Turnove Wheet Nov	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1689 1885 1885 1895 1896 1657 17 154 (21) 10825 10825 111,95	Previous 144.00 142.00 142.00 160ta of 20	143.70 141.70 141.70 141.70 141.70 141.70 141.70 141.70 1616 1685 1686 1685 1688 1685 1700 1688 1688 1700 1688	ex point	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 6 months 12 months TRABSE OPT Aluminium (66 Striko price \$	393-398 393-398 393-398 393-398 393-396 393-396 390-92 497-45-505 p/fine oz 331.75 344.55 352.55 379.85 1088	Calla Jan 106 59	248-251 248-251 248-251 248-251 241-2-2 563-57 313.65- US cts 526.50 548.60 570.90	43 ¹ 2 ¹ 4 318.50 equiv Puts Jan 55 105
White 1 Ariss 1 460, M. 460, M	28 1065 Vinto (FF by 2525 / C Close 18.77 18 46 18.21 10150 10150 10150 10150 178.25 174.25 174.25 174.25 165.50 161.00 167.00	Provious 186.25 186.25 186.25 187.00 189.30 18.54 18.25 180.50 170.50 171.25 186.00 160.00 159.00	High/Low High/Low High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172 25 170 185.00 161 165.00 161	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnové Filianda Nov Dec Jan Apr BFI Turnové GRAREI Wheat Nov Jan Mar	Close 143,70 141,70 141,70 17 20 (60) 17 PUTU Close 1688 1695 1696 1657 17 154 (20) 17 Close 108,25 111,85	Previous 144.00 142.00 142.00 160ta of 20	143.70 141.70	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 13 months 15 months 15 months 16 months 17 months 17 months 18 months 18 months 19 months 19 months 19 months 10 months 10 months 10 months 11 months 12 months 13 months 16 months 16 months 17 months 17 months 17 months 18 mon	393-398 393-398 393-398 393-398 393-398 393-396 90-92 497-45-505 p/fine oz 331.75 344.55 336.25 379.85 KORS 0.7%) tonne Nov	Calls Jan 105 59 30	248-251 248-251 248-251 248-251 24112-2 563-57 563-57 313.65- US cts 526.50 570.90 Nov	A31 ₂ 1, 1, 2, 318.50 equiv Puts Jan 55 105 172
White 1 Aris No. 18480, MA	28 1065 Vinto (FF by 2525 / C Close 18.77 18 46 18.21 10150 10150 10150 10150 178.25 174.25 174.25 174.25 165.50 161.00 167.00	Provious 186.25 186.25 186.25 187.00 189.30 18.54 18.25 180.50 170.50 171.25 186.00 160.00 159.00	High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172.25 170 189.00 181 181.27 16 181.00 185 181 75 174 172.25 170 185.50 185 182.00 181	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnove Filterical Nov Dec Jan Apr BFI Turnove Wheet Nov	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1689 1885 1885 1895 1896 1657 17 154 (21) 10825 10825 111,95	Previous 144.00 142.00 142.00 160ta of 20	143.70 141.70 141.70 141.70 141.70 141.70 141.70 141.70 1616 1685 1686 1685 1688 1685 1700 1688 1688 1700 1688	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 12 months 13 months 15 months 16 months 17 months 18 months 18 months 19 months 10 months 10 months 10 months 10 months 11 months 12 months 13 months 14 months 16 months 16 months 17 months 17 months 18 mo	393-398 393-398 393-398 393-398 393-398 393-396 90-92 497-45-505 p/fine oz 331.75 344.55 336.25 379.85 KORS 0.7%) tonne Nov	Calla Jan 106 59	248-251 248-251 248-251 248-251 24112-2 563-57 563-57 313.65- US cts 526.50 570.90 Nov	43 ¹ 2 14 318.50 equiv Puts Jan 55 105 172
White 1 Aris No. 18480, MA	28 1065 Vinto (FF by 2525 / C Close 18.77 18 46 18.21 10150 10150 10150 10150 178.25 174.25 174.25 174.25 165.50 161.00 167.00	Provious 186.25 186.25 186.25 187.00 189.30 18.54 18.25 180.50 170.50 171.25 186.00 160.00 159.00	High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172.25 170 189.00 181 181.27 16 181.00 185 181 75 174 172.25 170 185.50 185 182.00 181	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnové Filianda Nov Dec Jan Apr BFI Turnové GRAREI Wheat Nov Jan Mar	Close 143,70 141,70 141,70 17 20 (60) 17 PUTU Close 1688 1695 1696 1657 17 154 (20) 17 Close 108,25 111,85	Previous 144.00 142.00 142.00 160ta of 20	143.70 141.70	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 1750 1650 1750 1650 Copper (Grade	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 331.75 334-55 336-25 379.85 10083 125 85 28	Calla Jan 106 59 30 Calls	248-251 248-251 248-251 248-251 241-12-2 561,4-57 561,4-57 561,4-57 561,4-57 561,4-57 538-20 548-50 570-90 Nov	43 ¹ 2 14 318.50 equiv Puts Jan 55 107 1772 Puts 103
White 1 Aris No. 18480, MA	28 1065 Vinto (FF by 2525 / C Close 18.77 18 46 18.21 10150 10150 10150 10150 178.25 174.25 174.25 174.25 165.50 161.00 167.00	Provious 186.25 186.25 186.25 187.00 189.30 18.54 18.25 180.50 170.50 171.25 186.00 160.00 159.00	High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172.25 170 189.00 181 181.27 16 181.00 185 181 75 174 172.25 170 185.50 185 182.00 181	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnové Filimità Nov Dec Jan Apr BFI Turnové Wheat Nov Jan Mor May	143,70 141,70 141,70 171 141,70 172 1680 1688 1688 1688 1688 1686 1667 171 171 171 171 171 171 171 171 1	Previous 144.00 142.00 142.00 160ta of 20	143.70 143.70 141.70 14	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 13 months 1600 1750 1850 Copper (Grade 2500 2500	393-398 393-398 393-398 393-398 393-396 393-396 90-92 497-45-505 244.55 331.75 344.55 336.25 379.85 1008 125 28 0 A)	Calla Jan 106 59 30 Calle 157	248-251 248-251 248-251 241-12-2 251-12-2 561-57 313.65- US cts 526.50 570.90 Nov 24 82 124	43 ¹ 2 14 318.50 equiv Puts Jan 55 105 172 Puts
white 1 Maries No. 2010 PE India Color Corona Color Corona Color C	28 1065 White (FF) y 2525 / Oil. — N Close 18,77 18 46 18.20 x 10150 r 10150 174,25 174,25 170,25 165,50 161,00 159,00 r 13888 1	Provious 186.25 186.25 186.25 187.00 189.30 18.54 18.25 180.50 170.50 171.25 186.00 160.00 159.00	High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172.25 170 189.00 181 181.27 16 181.00 185 181 75 174 172.25 170 185.50 185 182.00 181	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnové Filianda Nov Dec Jan Apr BFI Turnové Wheat Nov Jan Mor May	Close 143,70 141,70 141,70 17 PUTU Close 1689 1685 1685 1696 1667 17 154 (23 111,95 115,85 119,00 Close	Previous 144.00 142.00 142.00 142.00 160ta of 20 1700 1654 108.00 112.00 115.00 115.00 119.00	143.70 141.70 14	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months 12 months 12 months 12 months 13 months 14 months 15 months 16 months 1750 1650 1750 1650 Copper (Grade	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 331.75 334-55 336-25 379.85 10083 125 85 28	Calla Jan 106 59 30 Calls	248-251 248-251 248-251 248-251 241-12-2 561,4-57 561,4-57 561,4-57 561,4-57 561,4-57 538-20 548-50 570-90 Nov	43 ¹ 2 14 318.50 equiv Puts Jan 55 107 1772 Puts 103
inhie 1 i Ario. Mario.	28 1065 1065 1065 1065 1065 1065 18.77 18.48 18.21 1065 18.21 1065	Provious 188.25 189.36	High/Low Hig	175, Mar ic 2385. \$/barrol ow 8.42 8.20 \$/tonne \$75 225 225 225 200	Feb Apr Turnove Petro Carastis Whost Nov Jan Mar May Nov	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1688 1695 1696 1657 17 164 (20) 17 164 (20) 17 169 (20) 18 169	Previous 144.00 142.00 142.00 1650 1650 1667 1666 17700 1654 100) Previous 108.00 112.00 115.00 119.00 Previous 105.00	143.70 141.70 14	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 13 months 1600 1750 1850 Copper (Grade 2500 2500	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 331.75 334-55 336-25 379.85 lonne Nov 125 53 63 175 115 70	Calia Jan 108 59 30 Calle 157 110 7S	248-251 248-251 248-251 248-251 241-12-2 561,4-57 561,4-57 561,4-57 561,4-57 561,4-57 561,4-57 538-20 548-50 570-90 Nov 124 82 124	43 ¹ 2 14 318.50 equiv Puts Jan 55 107 172 Puts 103 154 215
WOO!	28 1065 White (FF) y 2525 / Close 18.77 18.46 18.21 x 18.90 r 10150 174.25 174.25 174.25 174.25 174.25 175.25 165.50 161.00 159.00 r 13888 1	Provious 186.25 180.00 181.25 18.53 18.54 18.25 18.99 6854) Provious 186.25 180.00 171.25 186.00 159.00 15	High/Low High/Low High/Low High/Low High/Low High/Low High/Low High/Low High/Low 189.00 185 181 75 174 172.25 170 185.50 185 182.00 181 199.00 199.00 199.00 199.00 199.00 199.00 199.00 199.00 199.00 199.00 199.00 199.00	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 200 000	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar May Barley Nov	143,70 141,70 141,70 141,70 171 141,70 172 1689 1688 1688 1688 1686 1667 171 171 171 171 171 171 171 171 1	Previous 144.00 142.00 142.00 160ta of 20	143.70 141.70 14	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months 12 months 12 months 12 months 13 months 15 months 16 months 1750 1650 1750 1650 Copper (Grade 2500 2500 2700 Coffee	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 331.75 3342-55 336.25 379.85 lonne Nov 125 85 28 90 A)	Calla Jan 105 59 30 Calle 157 110 7S	248-251 248-251 248-251 248-251 241-12-2 561,4-57 561,4-57 561,4-57 561,4-57 561,4-57 538-20 548-50 570-90 Nov 24 82 124 45 84 137	43 ¹ 2 14 318.50 equiv Puts Jan 55 103 154 215 Mar
inte 1 index of the control of the c	28 1065	Provious 188.59 176.50 177.50 159.00	High/Low Hig	175, Mar nc 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne 1.75 1.25 1.25 1.25 1.30	Feb Apr Turnove Petro Carastis Whost Nov Jan Mar May Nov	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1688 1695 1696 1657 17 164 (20) 17 164 (20) 17 169 (20) 18 169	Previous 144.00 142.00 142.00 142.00 160 160 160 160 160 160 160 160 170 170 170 170 170 170 170 170 170 17	143.70 143.70 141.70 14	ex point £/tonne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months 12 months 12 months 12 months 13 months 15 months 16 months 1750 1650 1750 1650 Copper (Grade 2500 2500 2700	393-398 393-398 393-398 393-398 393-396 393-396 90-92 497-45-505 244.75 331.75 344.55 3356.25 379.85 1008 125 28 a A) 175 70 Jen	Calia 106 59 30 Calle 157 110 7S	248-251 248-251 248-251 248-251 241-12-2 563-57 313.65 US cts 526.50 570.90 Nov 24 82 124 45 84 137	43 ¹ 2 14 318.50 equiv Puts Jan 55 105 172 Puts 103 154 215 Mar 33
WOOD WITHOUT THE WOOD WAS AND A WOOD	28 1065 White (FF) y 2525 / Oil — N 18,77 18 46 18.21 x 18.90 r 10150 174.25 174.25 174.25 174.25 175.25 165.50 161.00 157.00 r 13688 1	Provious 18.25 18.	High/Low Hig	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 225 225 225 236 200 \$\text{ord}\$	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar May Len May Turnove	Close 143,70 141,70 141,70 141,70 141,70 141,70 141,70 141,70 1689 1688 1688 1688 1686 1667 17 164 17 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	Previous 144.00 142.00 142.00 142.00 142.00 1601 1602 1603 1607 1607 1607 1607 1607 17700	143.70 143.70 144.70 144.70 144.70 144.70 144.70 144.70 144.70 149.1685 1688 1688 1688 1688 1688 1688 1688	Ex point Σ/tonne 95	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 13 months 1650 1750 1850 Copper (Grad 2500 2500 2700 Collea 650	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 331.75 3342-55 336.25 379.85 lonne Nov 125 85 28 90 A)	Calla Jan 105 59 30 Calle 157 110 7S	248-251 248-251 248-251 248-251 241-12-2 561,4-57 561,4-57 561,4-57 561,4-57 561,4-57 538-20 548-50 570-90 Nov 24 82 124 45 84 137	43 ¹ 2 14 318.50 equiv Puts Jan 55 103 154 215 Mar
inhie 1 1 460, M	1065	Provious 186.25 180.00 181.25 180.25	High/Low 189.00 185 181.75 174 189.00 185 181.75 174 172.25 170 185.00 185 182.00 181 199.00 100 topnes	100 tonnes. 175, Mar 102 2385. \$/barrol ow 0.73 \$.422 \$.25 2.2	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar May Len May Turnove	Close 143,70 141,70 141,70 141,70 141,70 141,70 141,70 141,70 1689 1688 1688 1688 1686 1667 17 164 17 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	Previous 144.00 142.00 142.00 142.00 142.00 142.00 142.00 1654 1667 1667 1667 1669 17700 1654 100) 112.00 113.00 119.00 119.00 119.00 112.20 114.25	143.70 143.70 144.70 144.70 144.70 144.70 144.70 144.70 144.70 149.1685 1688 1688 1688 1688 1688 1688 1688	Ex point Σ/tonne 95	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 6 months 12 months 12 months 6 Months 13 months 14 months 1550 Copper (Grad 2500 2500 2500 2500 Cottlee 650 700 750	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 3344.55 344.55 344.55 356.25 379.85 ltonne Nov 125 528 a A) 178 115 70 Jen 53 26 10	Cails Jar 1065 59 30 Caile 157 110 75 Mei	248-251 248-251 248-251 248-251 241-12-2 561-4-57 313-55- US cts 526-50 548-60 570-90 Nov 24 82 124 45 84 137 7 Jan 14 36 69	43 ¹ 2 14 318.50 equiv Puts Jan 55 103 154 215 Mar 33 57
WINDE 1 Aris- Maris- Ma	28 1065 White (FF) y 2525 / Close 18,77 18 46 18.20 x 10150 x 10150 174,25 174,25 174,25 174,25 170,25 165,50 157,00 r 13888 1 y PURCH: r erganise the metic from ill der analethan outp	Provious 18.25 18.	High/Low Hig	175, Mar ic 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$75 1.25 1	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar May Len May Turnove	Close 143,70 141,70 141,70 141,70 141,70 141,70 141,70 141,70 1689 1688 1688 1688 1686 1667 17 164 17 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	Previous 144.00 142.00 142.00 142.00 142.00 1601 1602 1603 1607 1607 1607 1607 1607 17700	143.70 143.70 144.70 144.70 144.70 144.70 144.70 144.70 144.70 149.1685 1688 1688 1688 1688 1688 1688 1688	Ex point Σ/tonne 95	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months months months TRADER OPT Aluminium (% Striko price \$ 1650 Copper (Grad 2500 2500 Cottee 650 700 750 Cocce	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 90-92 497.45-505 p/fine oz 3344.55 344.55 356.25 379.85 ltonne Nov 125 53 44 175 115 70 Jen 55 26 10 Dec	Calls Jar 1005 59 30 Calls 157 110 75 Mei	248-251 248-251 248-251 248-251 241-12-2 561-4-57 313-55- US cts 526-50 548-60 570-90 Nov 24 82 124 45 84 137 7 Jan 14 36 69	A3 ¹ 2 1 2 318.50 equiv Puts Jan 55 105 172 Puts 103 154 215 Mar 33 57
WOO!	1065 1065 1065 1065 1065 1065 1677 18.77 18.78 18.21 18.21 18.21 18.21 18.21 18.21 18.21 18.21 18.21 18.21 18.25 174.25 174.25 174.25 185.00 159.00 1	Provious 186.25 180.00 181.25 180.00 185.41 182.55 180.50 176.50	High/Low Hig	175, Mar In 2385. \$/barrol Ow 0.73 8.42 8.20 \$/tonne \$.75 25 25 25 25 25 25 25 25 25	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar May Len May Turnove	Close 143,70 141,70 141,70 141,70 141,70 141,70 141,70 141,70 1689 1688 1688 1688 1686 1667 17 164 17 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	Previous 144.00 142.00 142.00 142.00 142.00 1601 1602 1603 1607 1607 1607 1607 17700	143.70 143.70 144.70 144.70 144.70 144.70 144.70 144.70 144.70 149.1685 1688 1688 1688 1688 1688 1688 1688	Ex point Σ/tonne 95	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months to mon	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 497,45-505 p/fine oz 331,75 356,25 379,65 tonna Nov 125 55 28 a A) 175 115 70 Jan 55 26 10	Calls Jur 106 59 30 Calls 157 110 75 Mai 83 57 77 Mai 45	248-251 248-251 248-251 248-251 241-12-2 563-5-57 313-55-30 US cts 526-50 538-20 548-60 570-90 Nov 24 82 124 45 84 137 Jan 14 36 69	#3 ¹ 2 1 ₃ 2 318.50 equiv Puts Jan 55 105 172 Puts 103 154 215 Mar 33 57 Mar 46
Minite 1 3 Arily - 1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	28 1065	Provious 18.25 18.	High/Low Hig	175, Mar In 2385. \$/barrol Ow 0.73 8.42 8.20 \$/tonne \$.75 25 25 25 25 25 25 25 25 25	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar May Len May Turnove	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1688 1695 1696 1657 17 164 (20 108.25 111.95 115.85 119.60 108.25 119.60 114.05 114.05 17 Wheat r lots of	Previous 144.00 142.00 142.00 142.00 142.00 142.00 1654 1690 1697 1695 17700 1654 100) 112.00 113.00 119.00 119.00 114.25 405 (376), 100 tennes	143.70 143.70 144.70 144.70 144.70 144.70 144.70 144.70 144.70 149.1685 1688 1688 1688 1688 1688 1688 1688	Expoint E/tonne 95 90 90).	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 12 months 13 months 15 months 16 months 1750 1850 Copper (Grad 2500 2700 Collee 650 700 750	393-398 393-398 393-398 393-398 393-396 390-92 497-45-505 p/fine oz 331.75 344.55 3356.25 379.85 lonne Ney 125 55 28 a A) 175 115 70 Jan 55 26 10 Dec	Cails Jar 1065 59 30 Calle 157 110 75 Mei 83 57 37 Mei	248-251 248-251 248-251 241-12-2 241-12-3 563-57 313.65- US cts 526.50 570.90 1 Nov 1 24 82 124 45 84 137 7 Jan 14 35 69 7 Dec	43 2 2 3 4 5 6 7 Mar
WHOLE I STATE TO THE STATE TO T	28 1065 1065 1075 1075 1075 1075 18.77 18.46 18.21 17.425 174.25 174.25 175.25 165.50 161.00 157.00 13888 18.40	Provious 18.25 18.	High/Low Hig	175, Mar In 2385. \$/barrol Ow 0.73 8.42 8.20 \$/tonne \$.75 25 25 25 25 25 25 25 25 25	Feb Apr Turnove Nov Dec Jan Apr BFI Turnove GRASSE Whost Nov Jan Mar May Barley Nov Jan Mar May Turnove	Close 143,70 141,70 141,70 17 20 (80) 17 PUTU Close 1688 1695 1696 1657 17 164 (20 108.25 111.95 115.85 119.60 108.25 119.60 114.05 114.05 17 Wheat r lots of	Previous 144.00 142.00 142.00 142.00 142.00 142.00 1654 1690 1697 1695 17700 1654 100) 112.00 113.00 119.00 119.00 114.25 405 (376), 100 tennes	High/Low 143.70 141.70	Expoint E/tonne 95 90 90).	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months to mon	393-398 393-398 393-398 393-398 393-398 393-398 390-92 90-92 497,45-505 p/fine oz 331,75 356,25 379,65 tonna Nov 125 55 28 a A) 175 115 70 Jan 55 26 10	Calls Jur 106 59 30 Calls 157 110 75 Mai 83 57 77 Mai 45	248-251 248-251 248-251 248-251 241-12-2 563-5-57 313-55-30 US cts 526-50 538-20 548-60 570-90 Nov 24 82 124 45 84 137 Jan 14 36 69	#3 ¹ 2 1 ₃ 2 318.50 equiv Puts Jan 55 105 172 Puts 103 154 215 Mar 33 57 Mar 46
WHOLE I STATE OF THE STATE OF T	28 1065 White (FF by 2525 / White (FF by 2	Provious 18.25 18.	High/Low Hig	tonnes. 175, Mar ve 2385. \$/barrol ow 0.73 8.42 8.42 \$/tonne \$75 225 225 225 200 \$/tonne t there is there is the same is the s	Feb Apr Turnove Nov Dec Jan Apr BFI Turnove GRASSE Whost Nov Jan Mar May Barley Nov Jan Mar May Turnove	Close 143,70 141,70 141,70 141,70 141,70 141,70 141,70 141,70 1688 1688 1698 1698 1698 1698 1698 1698	Previous 144.00 142.00 142.00 142.00 142.00 142.00 142.00 1603 - Bir 1690 1697 1690 1697 1690 1770 112.00	High/Low 143.70 141.70	Stronne Stronne Stronne Stronne Stronne Stronne Stronne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot 3 months 12 months 12 months 12 months 12 months 13 months 15 months 16 months 1750 1850 Copper (Grad 2500 2700 Collee 650 700 750	393-398 393-398 393-398 393-398 393-396 390-92 497-45-505 p/fine oz 331.75 344.55 3356.25 379.85 lonne Ney 125 55 28 a A) 175 115 70 Jan 55 26 10 Dec	Calis Jar 10859 59 1107 Calle 157 1107 75 Mai 83 57 74 Mai 45	248-251 248-251 248-251 248-251 241-12-2 563-5-67 563-57 570-90 Nov 24 82 124 45 84 137 Jan 14 36 69 Dec	43 ¹ 2 14 21 318.50 equiv Puts Jun 55 103 154 215 Mar 33 57 Mar 46 77
Winder 1 Aris- Maris- M	1065 1065 1065 1065 1065 1065 18.77 18.90 18.25 17.15 18.90 17.15 17	r per tonri lug 2567. C PC Previous 18.93 18.25 18.25 18.25 18.50 176.50 171.25 186.25 176.50 171.25 186.00 159.00 159.00 157.05 189.00 157.05 189.00 157.05 189.00 157.05 189.00 157.05 189.00 159.00	lots of 50 a): Dec 24 let 2437. De let 2437. De let 2437. De les High/Low l89.00 185 181.75 178 181.75 178 185.50 165 182.00 181 189.00 181 199.00 185 190.00 187 190.50 165 190.00 167 190	tonnes. 175. Mar vc 2385. \$/barrol ow 0.73 8.42 8.20 \$/tonne \$.75.25 8.20 \$/tonne 1.75.25 8.20 \$/tonne	Feb Apr Turnove Filteriox Nov Dec Jan Apr BFI Turnove Whest Nov Jan Mar Mar May Turnove Turnove	Close 143,70 141,70 141,70 141,70 141,70 141,70 141,70 141,70 1688 1688 1688 1688 1688 1688 1688 168	Previous 144.00 142.00 142.00 142.00 142.00 142.00 142.00 1603 - Br Previous 1687 1687 1687 1686 17700 1654 10700 112.00	143.70 143.70 144.70 144.70 144.70 144.70 144.70 144.70 144.70 149.1685 1688 1685 1688 1685 1688 1685 1700 1688 1685 1700 1688 1685 1700 1688 1685 1700 1688 1685 1700 1688	Stronne Stronne Stronne Stronne Stronne Stronne Stronne	Mapleleaf Britannia US Eagle Angal Krugerrand New Sov. Old Sov. Noble Plat Silver fix Spot a months to mon	393-398 393-398 393-398 393-398 393-398 393-398 393-398 393-398 390-92 497,45-505 p/fine oz 331,75 3344.55 336,25 379,85 tonna Nov 125 65 28 a A) 175 11S 70 Jan 55 26 10 Dec 38 13 4	Calls Jur 106 59 30 Calls 157 110 75 Mai 83 57 77 Mai 45	248-251 248-251 248-251 248-251 241-12-2 563-5-67 563-57 570-90 Nov 24 82 124 45 84 137 Jan 14 36 69 Dec	#3 ¹ 2 1 ₃ 2 318.50 equiv Puts Jan 55 105 172 Puts 103 154 215 Mar 33 57 Mar 46

_						1										
(Prices supplied by Amaigamated Metal Trading)							S M	ARKI	ETS		COP	PER 25,00	O libes; counts	/lbs		
0w	AM Official Korb close Open Interest					I IN T	UE ME	TALE OF	d romal	ned strong.		Close	Previous	High/Lo	w	
			ling tu	mover 14	,850 tonne					, reports	Nov	115.45	112.65	118.00	114.90	
720	1777-80 1728-7	172	5-7	33,0	55 lots	Dre	cel Burr	nham Lan	nbert. Ti	10	Đec	114.05	111_10	114,40	112.50	
_		-	ling tu	mover 41	,300 tonne			utures w		2.40, platinum	CRU	DE OIL (L	ght) 42,000	US galls \$	/berrel	
307	1688-9							after two			_	Latest	Previous			
565	1672-3	168		_	,300 tonne	Price	es raille	d in the	copper a	laitnetoq sa	Dec	19.82	20.02	18.94	19.73	
	454-6		rung u	IIIIOVOT /	,DOD BORING			hils and I			Jen Feb	10.67	19,79 10.60	19.75 19.56	18.61	
4.5	440.5-7	444	-5	12,0	03 lots			ided supp			Mar	18.35	18.46	19.43	10.46 19.35	
			Ring	turnover	870 tonne	sugar was up slightly on carryover buying from Tuesday. Cocca broke out						19.10 19.03	Q 19.07	18.10 18.07	19.10	
100	10250-300 9900-25		6-900	8.02	8 lots	of its	tight r	ange witt	prices	ellmbing	Jun Jul	19.02	12.95	18.92	19.00 18.90	
~	9300-23				,045 lonne			ng made			Aug	12.78 18.74	18.84 18.75	12.78 19.74	18.78 12.74	
30	7320-30		- m- ng - sa		40.00					ncreased					16.14	
3Ö	7400-5	738	0-400	.,	lots	spec	ulative	buying. 1	The grain	78	HEATING OIL 42,000 US gallo, cents/US galla					
			Ring t	Imover 8	,325 tonne			have sk				Latest	Previous	High/Lor		
07 50	1505-8 1466-8	144	7-50	16.5	32 lots			raday's c		rts. The fally in the	Dec	5860	5988	5940	5660	
Ť					,475 tonne	beill	es. Con	tinued ex	port der	nand and	Jan Feb	5885 5795	5959 5867	5925 5845	5860 5785	
_	1470-6									pportive.	Apr	5370	5399 5224	5370	5350	
_	1430-5	141	0-20	3,00	7 lots			nd cattla kets were		xed. The	Jun	0175 6070	0104	5210 5065	5165 5070	
	8 months:	1.5370		0 mor	the: 1.5179			i)ing pus			Jul Aug	5030 5070	5061 0111	5040 6070	5030	
_						supp	ort leve			ide oil fell	Sep	5100	5201	5180	5070 S160	
	LONDON DU	LUOM 1	LARK	π		pelo	w \$ 20.									
	Gold (fine oz)			£ equi	wilect						COCC	A 10 tonn	es;\$/tonne	<u>s</u>		
	Close	384-384	-	242-24		1						Close	Previous	High/Lov		
	Opening	388-388	2	244-24	412	1					Dec	997	965	998	970	
	Morning fix Attention fix			243.70 241.48		1					Mar May	1004 1015	979 989	1008 1018	986	
	Day's high Day's low	388-388 3821 ₂ -38									Jul	1025	1001	1026	1012	
	Day s Kow	302-2-3	3			Ns	· W	ork/			Sep	1047 1073	1010 1047	1040 1075	1025 1057	
	Coins	\$ price		2 equi	/sient						Mar	1100	1075	1100	1100	
	Mapieleat Britannia	393-398 393-398		248-25		COL	100 troy	¢Z; \$/troy	0Z.		~~=	TE 600 00	,500lbs; co			
	US Eagle	393-398		248-25 248-25			Close	Previous	High/Lo	7W	COFF	Close				
	Angel Krugerrand	383-396 383-386		248-25	1	Nov	388.6	306.2	0	0	Dec	77.22	Previous			
	New Sav.	90-85 303-300		241½-2 56¾-5		Sec	390.8 393.1	386.4 390.6	391.1 0	365.5	Mar	79.11	75.79 77.70	77.85 79.90	74.75 77.25	
	Old Sov. Noble Plat	90-92		56 4 -57	4	Feb	395.4	392.9	396.9	390,4	May	80.82	79.63	81.90	79.25	
	MODIE PIE	497.45-5	35.30	313.65	318-00	Apr	399.9 404.3	397.3 401.6	400.0 405.0	394.5 390.2	Jul Sep	82.60 85.25	01.75 83.55	88.50 85.00	81.00 83.80	
	Silver fix	p/line o	!	US cts	edrip	Aug	408.S	405.7	406.9	408.B	Dec	28.00 90.75	96.75	88.00	86.65	
	Spot	331.75		526.50		Oct Dec	412.9 380.8	410.1 388.4	411.0 391.1	408.6 385.5	Mar	80.75	89.50	0	0	
	3 months 6 months	344.55 356.25		538.20 548 60		PLAT					SUGA	A MORI E	917 1720	100 lbs: cer	ds/lbs	
	8 months 356,25 548,60 12 months 379,85 570,90					Close Previous High/Low					SUGAR WORLD "11" 112,000 lbs; cents/lbs Close Previous High/Low					
	TRADED OPT	10440				Jen	502.8	000.6	503.0	497.0	Jan	14.45	14.40	0		
-						Apr	507.8	505.1	508.0	501.8	Mar	14.84	14.79	14.89	0 14.65	
	Aluminkan (9)		Calla		Puts	Jul	811.8	509.6	S12.0	508.G	May	14.58	14.52	14.62	14.41	
	Strike price S			un Nov		Oct	S16.5	514.1	0	0	Jul Oct	14,34 13,74	14,24 13,69	14.36 18.77	14.18 13.67	
	1650 1750	12 62			55 105	SILVE	# 5,000 £	rcy oz, cen			Mar	13.02	13.05	13.10	12.97	
	1850	2			172		Close	Previous	High/Lo	<u> </u>						
	Copper (Grad	(A B	Çalis		Puts	Nov Dec	526.5 529.5	\$26.5 529.5	525.0 530.0	525.0 526.0	COTT		cents/lbs			
	2500	17		7 45	103	Jan	532,4	532.4	0	0		Close	Previous	High/Low		
	2600	11	S 11	0 84	154	Mar	541.4	541.S	542.0	538.0	Dec	74.90	74.70	75.00	74.50	
	2700	70	75	137	215	May	549.1 557.0	549.2 557.1	550.0 557.5	547.0 553.0	Mar May	78. 60 77. 05	76.54 76.95	78.85 77.10	76.27 76.50	
	Cotiee	Je	m M	er Jan	Mar	Sep	565.1	565.2	565.5	562.5	Jul	77.95	77.00	77.96	76.85	
	550				33	Dec Jan	576.3 579.9	576.4 680.0	577.5 0	573.0 0	Oct Dec	70.05 67.1S	70.10 67.11	78.10 67.25	69.80	
	700	26	57	35	57		V- 3.5		•	-	Mer	67.75	67.75	0 23	67.03 0	
	750	10			67	I					ORAN	GE JUICE	15,000 ibs;	cents/lbs		
	Cocca				Mar	II	CES			 _		Close	Previous	High/Low		
	700 750	38 13			46 77	NEU		es: Septen			Nov	129,45	123.45	129.60	129.00	
	300	4	26	35 70	77		Nov 7			go yr ago	Jen	124.00	124,45	124.30	123.50	
	Promot Consti					II	1857.		1557.1	1878.2	Mar May	124,25 125,05	124.90 125.30	124.75 124 30	123.80 124.30	
	Brent Crude				Feb	DOW	10HES	Base: Dec.	31 1974 =		ألناك	125.75	125.90	126.00	125.70	
	1800 1850	73 44			90	Spot			128.41	138.63	Sep	125.90	126.1S	126.00	125,70	
	1900	25		46 73		Futu	res 130.7		129.15	139.68	Nov Mar	125.10 125.10	125.35 125.35	0	0	

SOYABEANS 5,000 bu min; cents/60ib bushe Previous High/Lon 584/2 578/2 590/6 600/0 607/4 607/4 Nov Jan Mar May Jul Aug Sep 584/4 578/0 590/4 601/4 606/6 609/0 588/0 575/6 588:4 599:0 608/0 607/0 597/0 SOYABEAN OF 60,000 lbs; conts/tb 18.15 10.39 18.80 20.18 20.50 20.58 20.65 20.75 SOYABEAN MEAL 100 tons; \$/ton 131.7 180.7 180.0 179.1 179.9 178.0 178.0 101.9 180.8 180.9 180.0 179.7 179.5 179.5 MAIZE 5,000 bu min; cents/\$6lb bush 237/4 241/0 244/6 248/2 242/0 238/0 WHEAT 5,000 bu min; cents/60th-bustv High/Low IVE CATTLE 40,000 lbs; cents/lbs High/Low 74.42 74.40 71.45 99.55 68.90 74.80 74.45 74.45 71.46 80.70 74.25 74.05 74.17 71.17 69.55 60.75 IVE HOGS 30,000 lb; cents/lbs 47.85 47.85 44.77 48.82 49.07 47.75 43.50 Close 63,47 62,90 81,72 \$1.53

LONDON STOCK EXCHANGE

Strong Footsie advance above 2,200

A move to lower interest rates in the US, announced by one small hank just before the offi-cial close of business in Lon-don, combined with technical factors, a spate of corporate activity and a strong advance by the building sector to power equities ahead yesterday and to close the FTSE 100 share index above the psychological. index above the psychologically important 2,200 level for

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the the first time since "Grey Monday", on October 16. The one disappointment in the day's performance was the level of equity business. Turn-over, reported as 427.7m shares at 5 pm, although up on Tues-day's 417.9m and Monday's 330.3m, was described by deal-

Account Dealing Dates *Picet Deatings: Oct 30 Nov 13 Nov 27 Dec 7 Deg 4 Dec 18 "How time dealings may take pince from 0.00 not two brokens days earlier ers as well below that expected

plenty of corporate stories and fundamental market news. The market got off to a firm start, with share prices moving up as marketmakers responded to a number of early buying orders. While not exceptional in terms of size, the buying

after a session containing

was said to have been in areas of the market where stock shortages have become acute. As one marketmaker put it: The market, as everyone now knows, is short of stock and the shortages were where the higgest gains appeared on the screens." He pointed to the big rises in building and materials stocks, although there were more fundamental reasons for heavy gains in this area, and also to the banks and insur-ance sectors which posted sub-

accompanied by the news of a prime rate cut of a half-perstantial imporovements. Wall Street, once again playing an important part in the day's events in UK mar-kets, was also partly responsicentage point to 10 per cent by Southwest Bank of St Louis. A number of individual stoble for the opening strength of ries emerged during the day.

London. Up almost 15 points overnight, helped by reports that the Federal Reserve was easing monetary policy, Wall Street was full of running at the opening yesterday when it was account of points higher Mountleigh, the property group, were sharply higher after news that the company's chairman has sold his interests to two US businessmen. Sainsbury dipped despite interim the opening yesterday when it was around 25 points higher.

The FT-SE 100-share index, after opening with an 18.2 rise, moved through the 2,200 within an hour or so of the start of official trading, took a breather in mid-session and then made a late dash to close a net 25.6 higher at 2,203.6, accompanied by the news of a profits in line with forecasts. Building groups were high-lighted by heavy demand for companies involved in West Germany as the government there unveiled a crash pro-gramme of bouse-building

partly following the buge num-bers of East Germans flowing into the country. But there were also casual ties with Cookson and Coloroll hit by brokers reducing their profits forecasts, massively so in the case of Coloroll.

but he thought that Sains-bury's recent 5 per cent pre-mium over Tesco's could nar-

row. The shares finished down

stocks and Electrocomponents, Farnell and Diploma advanced 5 to 197p, 6 to 143p and 6 to 161p respectively. "They have underperformed tragically over the last 5 years," said Mr Ian MacLeod, analyst at County. He said thet Electrocomponents, for example, had 100,000 customers and specialised in quick delivery in small quantities — the sort of supplier that

ties - the sort of supplier that companies are tempted to use

in troubled times. He added that Electrocomponents was

now challenging Ferranti for the position of the UK's fourth

largest electronics company by market capitalisation.

Thorn EMI benefited from the go-shead of the flotation of Polygram by Philips in the Netherlands. Mr Brian New-man, analyst at Henderson Crosthwaite, said that the rat-

ing given to Polygram sup-ported his break-up valuation on the company of £12 e share.

Thorn's music business accounts for nearly one-third

of that £12. "Over 50 per cent of Thorn's profits come from out-side the UK," added Mr New-man, highlighting the com-

pany's defensive strength. The shares closed up 21 at 768p and interims are due on November

Recent purchases by direc-tors of Multitone sbares inspired confidence and the price firmed another 7 to 75p.

Holmes Protection jumped 9 to 70p on vague talk of a bid from ADT. Renewed talk that Dr

County NatWest WoodMac pushed electronics components stocks and Electrocomponents,

	F	ИАНІ	CIAL	TIME	S ST	OCK	INDIC	ES_		
	Ngv	Nov 7	Nov 6	Nov 3	Nov 2	Year Ago	High	D Low	Since Go High	expitation Low
Government Secs	84,37	84.06	84.02	63.75	83.87	66,40	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed interest	83.61	83.55♦	93.31	93.29	93.36	87.34	99.59 (15/3)	9\$.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1774.2	1753.6	1747.e	1746.4	1731.3	1479.8	2008.8 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	256.8	245.2	234.2	231.5	220.3	173.8	256.8 (8/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2203.8	2178.2	2169.6	2173.1	2154.1	1825.7	2426.0 (6/9)	1782.5 (3/1)	2443.4 (18/7/87)	986.9 (23/7/84)
Ord, Div. Yield Earning Yid %(full) P/E Ratio(Net)(*)	4,56 11,20 16,79	4.71 11.34 10.66	4.73 11.36 10.64	4.73 11,37 10.64	4.77 11.45 10.56	4,73 11,90 10,18	Ordinary	1/7/35, Gd	ce 15/10/26, F old mines 12/ 4 Mil 10.70	b.ed int. 1928, 265. Basis 100
SEAO Bargains(5pm) Equity Turnover(2m)† Equity Bargains†	23,209	21,437 727.08 19,655	26,811 674.99 20,313	21,202 803.94 20,788	20, 184 853.47 19,684	23,283 1135.17 24,905	Indice	6'		7 Nov 6
Shares Traded (mi)† Ordinary Share Index.	Hourly ci	337,0 henges	302.0 Day's Higi	307.7 h 1774.2	364.5 Day's	490.4 Low 178	5.7 5-D	dged Bai ny averag	ye 85	.6 90 5
Open 10 a.m. 1767.8	11 a.m. 1789.0	12 p.m. 1768.4	1 p.m. 1768.7	2 p.m. 1766.8	5 p.m 1770.6		n, busine	ses & Over Indices d	sees turnove	ig inira-marke r Chiculation (y Bargains ah tay averages (
Open 10 s.m. 2196.4	11 a.m. 2199.5	12 p.m. 2198.3	Day'a Higi 1 ρ.m. 2196.6	2203.9 2 p.m. 2195.0	3 p.m 2199.1	Low 2160 4 p.t 2202	n. 20 eve	ned on Trip Places on I	end Equity 1 y 31. Closing request. G nd latest She	Value, was cli values for Jul orrected figure

New SHV stake lifts Burmah

Burmah Oil was galvanised in late trading as the company announced that SHV, the privately-owned Dutch company, had effectively increased its holding in the company to 9.144 per cent, or just over 16.5m shares, from 7.5 per cent. Burmah were immediately marked higher and moved to within a penny of the 1989 high of 7050, before coming off to close a net 13 up at 696p. The company said SHV had "bought and contracted to hur" 2 1330 shares on November 2 buy" 2.133m shares on November 2 and that SHV had been asked to make a public state-ment regarding its intentions. One sector specialist said the latest move by SHV "makes it quite clear that this is no longer a speculative story but a serious takeover story. It looks as if SHV are going to 15 per cent, will probably have a talk with Calor, where it has e 44 per cent stake, reverse Calor into Burmah and end up with a 40 per cent-plus holding in the

enlarged group." Other analysts agreed with this Burmah/Calor scenario. One said: "We're still at the beginning of the SHV build-up." House Govett said: "We believe the fundamental value of Burmah is 700p a share anyway; in the circumstances of a hostile buyer, the shares should go up." Calor shares were marginally firmer

Builders boosted

The building sector was given a boost by news that the West German government had agreed a crash programme to promote new house-building partly in response to the inflow of East Germans this year. The main beneficiaries were Red-land, RMC and Pilkington, all of which are well placed in the

industry. Rediand owns 56 per cent of Braas, West Germany's biggest concrete roof tile company, and it contributes around 25 per cent to Redland's group pre-tax profits. Meanwhile, 18 per cent of RMC's pre-tax profits come from West Germany, its come from West Germany, due to its ownership of the nation's largest ready mix concrete company. And Pilkington's ownership of Flachglas, one of the largest glass companies, contributes around 20 per cent of group pre-tax profits.

Mr Jeff Summers, of Hoare Govett, said it was difficult to estimate the precise profit implications of the news since it was not clear whether the

spending would involve new

funds or come from existing programmes. "Also, if, for example, they decide to build blocks of flats rather than houses, fewer roof tiles would be needed, which would affect Redland," he said.

Nevertheless, he said the impact on the already buoyant West Germany housing building industry would be substantial and said the rise in share prices was fully justified.

Redland closed up 17 at 543p, RMC finished 18 higher at 646p, and Pilkington added 14% at 229%p.

Mountleigh shuffle

Mountleigh were boosted after news that two US busimessmen, Mr Nelson Pelz and Mr Peter May, had bought 22.5 per cent of the UK property firm from its chairman for 270.4m. The move prompted a boardroom reshuffle with Mr Petz replacing Mr Tony Clegg as chairman and chief executive. Mountleigh said Mr Petz and Mr May did not intend to hid for the company in current circumstances.

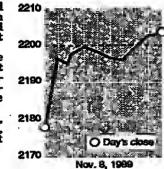
Mr Will Martin of Smith New Court said there had been spec-ulation that a bid for a UK property company was imminent and the news had not nent and the news had not come as a surprise. Mr Pelz and Mr May had recognised an undervalued company with an asset value closer to £4 than yesterday's £2 sale price. "What it probably means is that they will take the company apart, selling its Spanish department store chain, Galerias Preciados. Mountleigh will not exist in its current form in

as Preciacios. Mountleigh will not exist in its current form in six months time." Mountleigh closed up 25 at 163p.

Cookson earned the dubious distinction of being the worst FISE 100 performer as shares fell by 3.8 per cent on downward the control of the contro gradings from several-securi-ties houses. They included Citi-corp Scringeour Vickers which now expects 1989 full year profits of £198m, down from its previous forecast of £202m, and £217m for 1990, down from

Explaining the reasons for the downgrading, Mr Chris Avery said: "Although the management is first class, we are cautious about the continu-ing weakness of Cookson's in both the UK and US markets.

FT-SE 100 Index



For example, we are concerned about white goods castings in the UK and electronics in the US." Some 3m shares were traded as the share price fell 11

to at 279p.
Clearing banks had a mixed day, with NatWest, 4 better at 312p after 316p, the best performer on e press report of the shelving of a \$500m plan to buy a bank in Permsylvania.

Ravelage sufformed after a Barclays suffered after a downgrading from BZW, where Mr Julian Robins, the analyst there, cut his profits forecast for the current year from TAMAN to CLASSER A the more

£1414m to £1328m - the mar-ket range is from less than ket range is from less than \$1300m to more than \$1400m.

Mr Robins said he had reduced the figure because of the sale of third world debt at a greater discount than allowed for in provisions, the early pay-off of a loan to the Italian operation, local authority swaps, problems on US corporate lending, bad debt in West Germany and the persistence of problems at the Australian operation.

tralian operation. Volume in Morgan Grenfell slipped back to more usual levels after two days of busy trade in the wake of announcements that the merchant bank was seeking a white knight against a possible bid from Banque indosuez of France. Even another cut in Hanson's stake in Morgan, by 650,000 shares to 3.75m shares, or 2.42 per cent, and the appearance of a new large stakeholder, Delaporte Establishment, with 2.23 per cent, failed to ignite trading. The shares added only a penny at 470p on steady turnover of 1.1m shares.

Negative press comment on **NEW HIGHS AND LOWS FOR 1989**

NEW HIGHTS (ST).

NEW HIGHTS (

November 1986. Sir Keith Skin-

ner retires from executive duties in March 1990 and from

duties in March 1990 and from the board at the agm. Mr Ron G. Segel and Mr Ian A.N. Irvine have been appointed deputy chief executives. Becoming executive directors are Mr Robert L. Krakoff, Mr Ian L.M. Thomas, Mr R. Gra-ham McVey, and Mr John Mel-lon. All the new posts are from

lon. All the new posts are from

the proposed sale of Gartmore by British & Commonwealth left the shares 7% easier at

Persistent shortage of stock squeezed brewery leaders better. Bass closed 27 up at 983p, Allied Lyons improved 11 to 464p, Grand Metropolitan climbed 11% to 532p and Whithread "A" finished 8 up at 250p. "Trading redumes were 360p. Trading volumes were unexceptional.

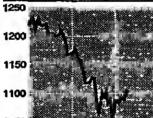
The unresolved Paris legal action regarding a block of shares in LVMH, the French shares in LVMH, the French luxury goods company, continued to undermine Guinness. The shares slipped 2 to 595p. Guinness holds a 24 per cent stake in LVMH which only has 12 per cent of Guinness. Analysis belive that the crossholding will only be made symmetrical when the legal wrangle is over

Dixons fell back from a high of 110p on talk that the com-pany might be about to issue a profits warning. The shares ended 2 down on the day at 106p. Ratners continued to power ahead on further consideration of the good showing made by jewellery in Monday's retail sales figures and on hopes for the crucial Christmas

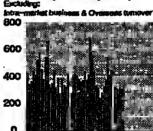
sales period. The shares firmed another 12 to to 277p. Sainsbury fell back on prof-it-taking after interim figures in line with market expecta-tions. Sainsbury's first half pre-tax profit rose 15 per cent to £215m, compared with £186m last year and analysts' predic-tions of £210m-£220m.

Mr John Woolman of Citi-corp Scrimgeour Vickers said: "The results were good; they just didn't have the cream on them." He noted that margins had only increased from 6.59 to 6.71 per cent. Despite these reservations, Mr Woolman said the arguments favouring Sainsbury's over Tesco remained,

FT-A AR-Share Index



Equity Shares Traded Tumover by volume (million)



TRADING VOLUME IN MAJOR STOCKS The following is based on trading volume for most Alpha securities dealt through the SEAO priters vesterday until 5 pm.



Tito Tettamanti, the Swissbased entrepreneur, was adding to his 17.15 per cent stake in Unitech pushed the shares up 12 to 384p. The Swiss group Electrowatt has 29.9 per cent of Unitech Hanting confirmed that the Treasury had "voiced doubts"

about an RAF anti-armour weapon project for which the company is competing, but said the Ministry of Defence had declared its firm commit-

had declared its firm commit-ment to the project. The shares had fallen to around the 220p before bonncing on the amouncement to close just 7 lower on the day at 238p. Hawker Siddeley, continued to be driven by the positive "buy" note put out by James Canel on Monday. Shares rose Capel on Monday. Shares rose a further 12 to close at 640p.

the French airline, and from Polaris Aircraft leasing for Air-buses, for which British Aerospace builds the wings, belped BAe shares add 8 at 549p. An analyst said: "The share price is now performing on positive expectations of next year's profits and long term consider-

Dowty moved up a further 14 to end the day at 248p on Tues-day's news that the company had won a £6m development contract for the control system of the European fighter air-craft. An analyst said: "The market has had a change of sentiment on the company. Everyone has realised now thet the company can win European fighter aircraft con-

Shares in Coloroll, plummeted 12 to 88p on fears that

interim results due next week could be even worse than recently predicted. One analysts said further downgradings were likely. "We keep getting negative news about the company. We can't expect a pretty picture on the profits," he said.

Smith Industries rose 15 to 2720 as the market anticipated strong full-year figures on

November 15. Vickers went 5 better and closed at 220p as it wes announced that EP Securities, controlled by Sir Ron Brierley, now has a 15 per cent stake in the company,

 Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

APPOINTMENTS

Reed International changes

Mr Peter J. Davis, chief executive, additionally becomes chairman of REED INTERNATIONAL when Sir Stanley Grinstead retires from the post on December 31. Sir Stanley will remain a non-executive director until the annual meeting next July. Mr Davis joined Reed International from J. Sainsbury in March 1966 as deputy chief executive, and became chief executive in

E Mr Stuart Harland, while remaining head of the special finance department, has been appointed deputy general manager, SANWA BANK, London, Mr Ian Hosler becomes assistant general manager, aerospace finance. He was a vice president, Chemical Bank. Mr John Watkins has been promoted to assistant general manager, project finance (infrastructure).

Mr Tony J. Rush has been appointed chief operating officer and a main board director of LILLEY, Glasgow, from November 13. He was a senior divisional executive with Tarmac Quarry Products, and managing director of Tarmac Roadstone Scotland.

Mr Ian Ward, chief general manager, has been appointed to the board of NORWICH AND PETERBOROUGH BUILDING SOCIETY. He becomes chairman of

January 1. subsidiary Norwich and Peterborough Financial Planning.

■ Mr Simon Case has been appointed a director of corporate finance at CARLTON COMMUNICATIONS. He was assistant to the chairman of The British Land Co.

THOMAS JOURDAN has appointed Mr Michael Styles as group managing director. He was a divisional managing director at Nahisco.

Mr H.M.P. Miles has been appointed a director of THE FLEMING FAR EASTERN INVESTMENT TRUST. He is a director of Swire Pacific, and Cathay Pacific Airways.

■ EMAP has appointed to its board Mr Kevin Hand, chief executive, consumer magazine division; Mr Gerry Murray, chief executive, business publishing, and Mr Rob Mackanzie, chief executive

exhibitions

■ Employee shareholders have elected to the board of HARLAND AND WOLFF HOLDINGS Mr Robert Haughey, zone manager on the BP swops vessel, and an employee shareholder.

■ Mr David Frith has been appointed finance director of the MICKLEGATE GROUP, ds. He is finance director

been appointed a non-executive director of PARKLAND TEXTILE (HOLDINGS).

Through its subsidiary, Robertson ERC, the Robertson Group has acquired a 31 per cent interest in ERC - Energy Market Consultants. ERC will be represented on the board be represented on the board of EMC by Mr David Fishman, managing director of ERC's economics division.

Mr Christopher Rouse has been appointed development director of BAA HOTELS. He Oriental Hotel group in Hong

m Mr Graham Ethelston has been appointed managing director of newly-formed invoice discounting company, Schroder Discount, a subsidiary of J. HENRY SCHRODER WAGG & CO. He was deputy managing director of Bank of Scotland subsidiary

George Band to join **Premier**



Mr George Band (above) becomes deputy chairman of PREMIER CONSOLIDATED OILFIRLDS on February 1.

He became director general of the United Kingdom Off-shore Operators Association in 1984, and retires at the end of

He joined the Royal Dutch/ Shell Group in 1957, and during 28 years' service was a director of Shell Exploration and Production in the UK, and managing director for Maley sian exploration, and produc tion companies in Sarawak and Sabeh.

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FINANCIAL TIMES THURSDAY NOVEMBER 9 1989 FT UNIT TRUST INFORMATION SERVICE	LONDON SHARE SERVICE
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LONDON SHARE SERVICE

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

High yield currencies in favour

STERLING had the henefit yesterday of a return to favour of high yielding currencies. Market attention has turned towards interest rate differentials after recent indications that the US Federal Reserve and the West German Bundesbank may he in the process of easing credit policies.

Dealers were surprised when the Fed added liquidity to the New York banking system on Tuesday - this was followed by the announcement of 8 cut in 8 small US bank's prime rate yesterday - and by the low rate that the Bundeshank supplied funds to banks in Frankfurt this week. Rumours that the Bank of Japan is considering a rise in its discount rate added to the mood of nervousness.

The dollar showed small mixed changes while the D-Mark floished above the day's lows on profit-taking, but was generally weaker. This trend was coupled with gains for sterling and other high yielding currencies, such as the Australian dollar.

The Australian currency stabilised at 78.50 US cents in London after closing at that level in Sydney, compared with 78.275 cenis in Sydney on Tuesday. Speculation that Austra-lian interest rates will remain high for several months supported the local currency, in

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Mexico		2635 50 - 2636.
N. Zealand .	26905 26965	1 6970 - 1 700
Sandi Ar	5 9495 - 5 9550	3 7500 - 3 7510
Singapore .	3 1045 - 3 1100	1 9570 - 1 650

spite of intervention to buy the US dollar by the Australian Reserve Bank.

Weaker members of the European Monetary System were also helped by a softening of the D-Mark, reducing the pressure for an early realign-meet of the EMS. The weakest placed Danish krone is no longer threatening to fall outside its cross rate limit against the D-Mark.

Mr Erik Hoffmeyer, Gover-nor of the Danish Central Bank, said lower inflation means there is room for a fall in long term interest rates. He guarded against an early cut in short term rates however, until there are signs that funds are flowing back into the krone and foreign exchange reserves have been rehuilt. The central bank spent DKr13bn defending the krone last month.

The dollar kept within a nar-row range. Recent indications of a slow-down in the US economy, and a possible easing of the Fed's monetary stance, indicate a longer term bearish

Hov 8

trend for the currency. Dealers are keeping a wary eye on a nervous Wall Street, but in the short term sale of US Govern-ment debt is likely to provide support for the dollar. The delayed \$56bn programme of Treasury auctions will now take place, following Tuesday's vote by Congress to raise the US debt ceiling.

At the London close yester day the dollar had improved to DM1.8455 from DM1.8445, but had eased to Y143.15 from Y143.40; to SFr1.6170 from SFr1.6175; and to FF76.2525 from FFr6.2530. The dollar's index fell to 69.7 from 69.8.

Interest rate considerations kept the pound firm. Sterling rose 55 points to \$1.5865. It also advanced to DM2.9275 from DM2.9150; to Y227.00 from Y226.75; to SFr2.5650 from SFr2.5575; and to FFr9.9200 from FFr9.8850. The pound's index rose 0.2 to 88.9. Average values against the dullar for October were: sterling 1.5872: D-Mark 1.8668: Yen 142.21: Swiss franc1.6315:

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FINANCIAL FUTURES AND OPTIONS

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usted volume 11638 () 1029) pes day's open int., 26577 (25599) THREE MONTH ECU EXI In points of 100% Close High Low 89.47 89.48 89.39 89.85 89.82 89.76 Estimated volume 697 (34)) Previous day's open int. 1220 (1150 FT-GE 100 DINEX 625 per full index point

TOTAL VOLUME IN CONTRACTS : 48,519 Estimated volume 4806 (3929) Previous day's open lat., 32024 (31556) BASE LENDING RATES

MONEY MARKETS

Lower London rates

INTEREST RATES continued to ease on the London money market yesterday as sterling gained ground on the foreign exchanges. Lack of economic

UK elearing bank base lending rate 15 per cent from October 5

news kept trading quiet, hut recent signs of a possible easing in US and West German monetary policy also contributed to the softer tone in Lon-

Three-month sterling interbank declined to 15 15 from 15 15 15 per cent. Short sterling futures on Liffe reacted to an improvement in market sen-timent, finishing just below the day's peak. The December contract touched 85.27, before closing at 85.26, compared with 85.14 on Tuesday.

Dealers are waiting for guidance on UK monetary policy from today's publication of the Bank of England Quarterly Bulletin, and from the forthcoming Autumn Statement by the new UK Chancellor.

Day-to-day credit cooditions were comfortable in London. The Bank of England initially forecast a small credit shortage of £100m. This was revised to £150m at noon, but back to £100m in the afternoon. The authorities did not operate in the hill market during the day. but provided late assistance of around £130m.

Bills maturing in official hands, repayment of late assistance and a take-up of Trea-sury bills drained £265m, with e rise in the note circulation absorbing £115m and bank balances helow target £185m. These outweighed Exchequer transactions adding £480m to

liquidity.
In Frankfurt call money was steady at 7.75 per cent. The Bundesbank provided liquidity yesterday, via a 28-day securities repurchase agreement ten-der, at a fixed 7.30 per cent This was helow the general level of market rates and was taken as an indication that sbort term rates are too high. At the same time the central bank drained DM4.6bn from the market by not fully replac-ing an expiring pact. The allocation at the tender was DM21.2hn, against an expiring agreement of DM25.8hn, but this was in line with expectations. Market liquidity is at a high level at present, and this was reflected in the fact that banks did not borrow any funds from the Bundesbank on Tuesday under their Lombard

facility. In Amsterdem the Dutch Central Bank left its interest rate on special advances at 7.90 per cent at a tender for a sixday agreement. The amount allocated will be announced today and is expected to be in the region of Fl 3.5-3.0hn. An earlier seven-day pact of Fl 3.8bn expires today.

FT LONDON INTERBANK FIXING (11.00 a.m. Nov.8) 3 months US dollars offer 0's The filating lates are the arithmetic means rounded to the reservat case-statesoft, of the brid and offered rates for \$10m earsted by the restrict to five reference basis at \$1.00 a.m. each working day. The basis are National Westminsur Basis, Basis of 70/sp. Described Westminsur Basis, Basis of 70/sp. Described Basis, Basis and Morran Garment 71/sps.

MONEY RATES

NEW YORK			Treasur	Bill's and	Bonds		
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Treasury 810s (sett): one-month 1411 per cent; three months 1413 per cent. Bank 810s (sett): one-month 1413 per cent. three months 1419 per cent. 7ressury 810s, Average tender rate of discount 14,0574 p.c. ECGO Fised Rate Sterling Export Finance Make up day October 31,1989. Agreed rates for period November 26,1989 to December 25, 1789, Scheme 1,1566 p.c. Schemes 18 & III: 16 22 p.c. References rate for period Sect. 30,1989 to Onicher 31, 1989, Scheme 1,1989, Sank Operation Rates for surial street days notice 4 per cent. Certificates of 1sx Deposit (Series 6): Deposit 2100,000 and over field under one month 11,19 per cent; one-three months 13 per cent; three-1s months 13 per cent; Under £100,000 11/2 per cent from Oct 4,1989, Oeposits withdrawn for cash 5 per cent.

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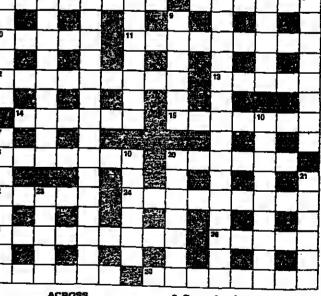
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15 Pudding she iced hurst open

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words (6)
22 Deputy revised unfinished column (5)

24 It promotes early growth in island and hill (2)
25 Constant in the middle, back in the middle of ring

26 Apprehend song (5) 27 What's in the barrel is hot sauce (6)

28 Spirit of church to doze quietly on board (8) DOWN

1 Tree turned oot well (6) Range Rover for girl in the country (9)

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7 Tree originally a sore point

(5) 8 Install railway with mystic links? (3-5)

iinks? (3-5)

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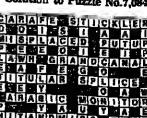
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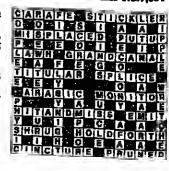
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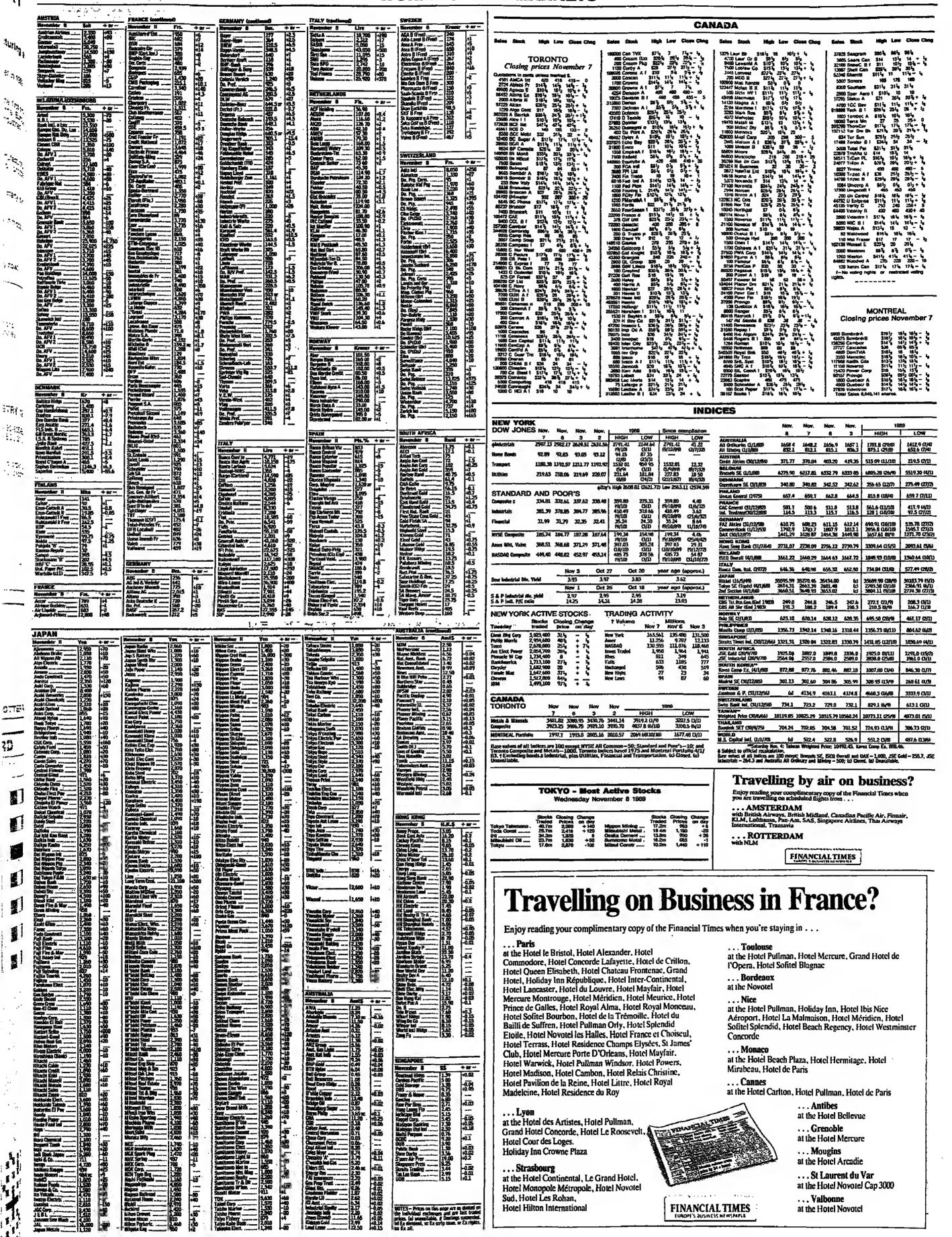
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2pm prices November 8

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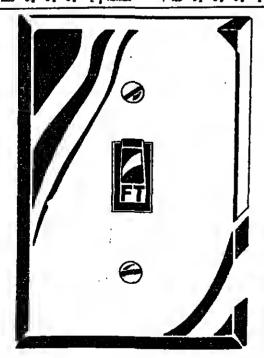
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Dow surges on signs of monetary policy easing

Wall Street

APPARENT confirmation that the US Federal Reserve had eased monetary policy, together with a prime rate cut hy the Southwest Bank of St Louis, boosted the equity mar-ket to substantial gains by

midsession yesterday, writes Janet Bush in New York.
At 2 pm, the Dow Jones Industrial Average was 32.79 higher at 2,629.92 on moderately active volume of 115m shares. Other stock indices shares. Other stock indices also registered healthy gains, with the Nasdaq composite up 4.65 at 454.05.

The Fed's move came as a surprise to financial markets. It was first hinted at when the Fed added liquidity to the money market on Tuesday, when Fed Funds were trading at 81 per cent. At that time, however, there was a view that the central bank was merely tolerating a lower rate because of uncertainty surrounding the

quarterly refunding auctions.

These had to be postponed because Congress failed to pass legislation raising the debt cell-iog until late on Tuesday has to absorb \$56bn of bills and bonds over the next four trad-

ing sessions.

The Fed appeared to confirm its easing move, which has taken the Fed Funds rate down taken the Fed Funds rate down to 81/2 per cent from 81/4 per

the market when Funds were trading at 81 per cent. Recent economic releases

have confirmed that the economy is still growing very slowly and, if anything, have pointed to less of an acceleration than people had thought. In other words, the evidence has pointed to a soft landing, hut not recession.

This, in the view of many, was not the kind of situation that would persuade the Fed — particularly its regional bank governors, who are hawks on inflation — to ease. However, the Fed bas been under pressure to ease from the Administration for some time, and may have decided that light upward pressure on prices gave a little

The Fed's move gave the stock market a much needed lift. Disappointing news on cor-porate profits, which was largely responsible for the fall of nearly 50 points on the Dow on Monday, had left the equity market gasping for lower interest rates.

The Southwest Bank of St Louis, which led the last round of prime rate cuts in July, yesterday announced It was lowering its prime rate to 10 per cent from 10.5 per cent. Other banks are widely expected to follow, once it is firmly established that 8% per cent is the new

This speculation helped

money centre banks. Citicorp added \$1 to \$30%, JP Morgan rose 1% to \$43, Chase Manhattan was up \$% at \$37 and

Chemical Bank rose 8% to \$32. Federal National Mortgage Association gained \$2 to \$39% and Federal Home Loan Mortgage climbed \$3% to %, also because of lower interest rates. UAL surged \$6% to \$186% after the company's board cleared Mr Stephen Wolf to explore new proposals for a huy-out or a restructuring. There were also reports that the airline's pilots' union had

attempted to contact outside investors about taking an equity stake. On the over the counter market, Air Midwest fell \$% to \$4% after Mesa Airlines withdrew its stock and cash acquisition offer and the two companies

Canada

ended merger talks.

GAINS made in morning trad-ing were trimmed in Toronto at midsession, leaving share prices slightly higher. Early rises had come on rumours that US commercial banks might reduce their prime rates might reduce their prime rates. Golds recovered some earlier

losses, which had been fuelled by profit-taking. The composite index firmed 12.9 to 3,936.1 on low volume of 16.5m aharea. Advancing shares led declines by 255 to

Unexpected support for yen helps Nikkei to rally

Tokyo

AN UNEXPECTED rebound by the yeo gave lovestors an opportunity to leap back into the market, hoosting share prices and, to a lesser extent, volume, writes Michiyo Nakamoto in Tokyo. In striking contrast to Tues-

day's spiritless performance, equities extended their initial gains throughout the day. The Nikkei average closed 325.13 higher at 35,595.59, after mov-ing between a high of 35,628.61

and a low of 35,319.35.
Widespread huying helped advances to outnumber declines by 574 to 343, with 192 issues unchanged. Activity was liveller, with turnover up to 853m shares from the 766m traded on Tuesday. The Topix index of all listed shares closed 10.92 points higher at 2,674.31, and the ISE/Nikkei 50 index in London gained 4.21 to 2,050.97.

Expectations of an easier monetary policy in the US set off a chain reaction of support for the yen, a recovery in bond prices and a rally in equities. However, Mr Mitsuru Mac-kawa, of Jardine Fleming, said the market atmosphere "does oot eocourage settling down with a long-term perspective." Buying was scattered and did

not go much beyond special situation stocks, he said. The US demand that Japan improve its infrastructure and huild more houses, voiced at the close of the US-Japan structural impediments talks, trig-gered fresh interest in construction and housing issues. Daikyo, Japan's largest condo-minium builder, rose Y300 to

Y6.250. Tokyo Tatemono, a real estate developer, rose Y140 to a record Y2,080 and topped the actives list with 49.7m shares actives list with 49.7m shares. It was supported by talk of buying by a group of specula-tors, as well as by general investors looking for a replace-

ment for Tokyu, the railway company that has led the mar-ket. Rumonrs also circulated that a hig property company had acquired a aubstantial stake in Tokyo Tatemono.

Toda Construction was second in volume with 25.7m shares, closing np Y120 at Y2,080. Mitsui Construction added Y110 to Y1,440. added Y110 to Y1,440.

Expectations that the oil industry would see restructuring and rising prices fuelled huying in Mitsuhishi Oil, which gained Y50 to Y1,630.

Osaka closed with a gain of 132.61 at 36,481.44 on the OSE average and volume improved to 81.1m shares from 59.8m on to 81.1m shares from 59.8m on Tuesday. Tsudakoma, a textile machinery maker, reached a record high of Y2,030 before closing at Y2,000, up Y30, on enthusiasm for its sales of automatic looms to the Soviet Union. There are hopes of greater trade possibilities with Moscow hefore the planned

Bush-Gorbachev meeting and

the forthcoming visit to Japan of a high-ranking Soviet offi-

Roundup

A MIXED performance in the Asia Pacific region was enliv-ened by golds in Australia, and ened by golds in Australia, and continued optimism in Manila during the visit of Mrs Corazon Aquino, the Philippine President, to the US and Canada.

AUSTRALIA went for gold following another jump in the metal price in New York on Tuesda rose 80.4, or 4.8 per cent, to 1.662.3, taking its gains over to 1,662.3, taking its gains over the past eight sessions to 16.3

per cent.
Turnover jumped to 144m shares valued at A\$245m, from Wednesday's 50m and A\$85m, and the All Ordinaries index rose 10.2 to 1,658.4, with virtually no help from the somno-lent industrials market.

NEW ZEALAND drifted off

in the afternoon, and the Bar-

clays index ended only 0.91 points higher at 2,059.11 in slightly improved turnover of 8.2m shares and NZ\$17.1m.
Lion Nathan fell 18 cents to
NZ\$3.90 on speculation that its
acquisition of 50 per cent of
Bond Corp's Australian hrewing interests might be falling
through. After the market

RUALA LUMPUR, soon to split off from the Singapore market, performed a little better yesterday as its com-posite index rose 4.79 to 476.04. Singapore's Straits Times Industrial index rose

Times Industrial index rose 0.47 to 1,321.31.

Meanwhile, Malaysla's Sime Darby and its subsidiary, Tractors Malaysia, said that the gronp's ahares would not be listed on the Stock Exchange of Singapore from next year, in keeping with the Malaysian Government's decision to delist all ment's decision to delist all Malaysian companies in

closed, Lion said the deadline on the hrewing agreement had been extended to November 13, and reported net profits below expectations at NZ\$72.6m for

HONG KONG went soft again on political rumours about China, and as Hang Seng Bank said in a new study that the colony's plans to invest HK\$227hn over the next 18 years on infrastructure projects were likely to bring economic problems as well as nomic problems, as well as benefits. The Hang Seng index dipped 7.02 to 2,731.07, while turnover shrank again, from HK\$788m to HK\$678m.

MANILA saw the composite index rise another 14.59 to a record 1,356.73, most positions being taken before the First Philippine Fund's listing on the New York Stock Exchange.
TAIWAN rallied after a string of declines, the weighted index closing 94.56 higher at

Andrew Fisher puts his ear to the ground and hears a mixture of hints and hoaxes

German rumour factory works overtime

HAT la it to be today? Nippon Life taking s hig stake in Deutsche Bank? Continental, the maker eager to pick up a lux-ury sports marque.

Rumours are easily laughed off hy those in the know, the tyre company, up for grabs hy Pirelli, Volkswagen or the Flick Brothers? Or Nixdorf Computer being bought by Siemens. Mannesmann, or possi-

bly both? You can take your pick of these and other rumours; one of the latest was that Solvay of Belgium planned to huy out the minority ahares in Kali-

These stories, dismissed with various degrees of vehemence by the companies themselves, have all done the rounds on West German stock markets recently and given the shares in question at least a tempo-

rary boost. For the moment, they have displaced old chestnuts such as the story ahout BMW - in which the Quandt family owns the majority - being acquired by Japanese or US motor groups; or Porsche, also family-controlled, falling into the hands of an acquisitive car

although none of the above is so outrageous as to be inconceivable. But they seem to be more common in West Ger-many these days, perhaps because of the growing internationalisation of its stock markets which has allowed

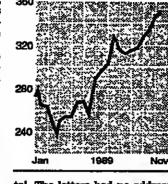
more aggressive foreign inves-

tors to play a bigger role.

Even if stories are disbelieved, dealers must anticipate their impact on prices. Some-times, of course, ramours turn out to be true – hut who can tell whether they stem from traders trying to enliven a duli day in London or Frankfurt, or have been planted by professional investors to make a quick killing?

There ars deliberate attempts to ramp prices. Reuters and VWD, the international and West German news agencies, recently received invitations to a phony press conference, allegedly to announce a bid for Continen-

Continental AG



tal. The letters had no address or telephone number and the Cologns hotel named as ths venus said that it had no such booking, so it was clearly a As there have been some big

takeovers in the tyre sector in the past few years, including Conti's purchase of General Tire of the US, speculation was not hard to whip up.
The Nippon Life/Deutsche

Bank tale was fuelled last week by Platow Brief, one of the German newsletters which offers a mixture of rumours. speculation, comment and (occasionally) exclusive stories. It said that Nippon Life, a Jap-anese insurer, had hullt up 8 9.9 per cent holding in the bank. Deutsche waved the rumour aside, although it made it clear that it had no objection to hig investors pick-ing up stakes of a few per cent when its shares are placed in

Tokyo this month. With fewer quoted compa-nies in Germany than in other big markets, rumours may be easier to plant; the 10 higgest German stocks account for nearly half of the turnover. Also, there is no lively takeover scene, as the hostile hid is virtually unknown and many shares are owned by families or banks and institutions.
This virtual absence of pred-

ators and victims could, say some analysts, be a reason why speculation thrives instead. Interestingly, the latest (friendly) takeover - by Internstional Paper, a US group, of the Zanders paper company produced no advance hints.

How de companies react to speculative fervour? Nixdorf. which has run into conventional business problems over the past year, is used to being a target. It complains that employees and customers are unsettled by the reports, which it routinely denies.

Conti was taken aback by the hoax letter, but says it is not pursuing it legally which would be difficult, as the perpetrators are not known.
"You can never say about a
new rumour that this is absolutely false," says Mr Thomas Albrecht, banking analyst at UK stockbrokers Philips and Drew. "Sometimes denials by the company can fuel specolation. Rumour-mongering will

usually work."
The German Gerüchteküche (rumour kitchen) can therefore be expected to continue to serve up a range of heavily spiced stories, with the ingredients changing constantly, to titiliate the market's palate.

SOUTH AFRICA Iscor makes lively debut

THE DEBUT of Iscor, the Johanneshurg stock market yesterday provoked frantic trading, agencies report.

It was the largest new issue ever on the exchange, and the

first privatisation since the sale to the public of one third of the shares in Sasol, the synthetic fuels producer, 10 years ago. Iscor was valued at about

R3,7bn (\$1.4bn). The rush to take a stake in Iscor, South Africa's largest iron and steel concern and the world's 15th blggest, was so intense that stock market regu-lators had to halt dealing temporarily after the first 15 min-utes to avoid clogging the

exchange's computers.

Iscor shares, offered at R2, opened at R2.25, rose to a day's high of R2.40 and closed at Gold stocks closed mixed to

higher yesterday, as the bul-lion price eased. Vaal Reefs slipped R1 to R405 and Western Deep eased R1 to R160, while Southvaal gained R3 to R157 and Winkels rose R5.25 to R92.

OSLO focused on shipping stocks and firmed in moderate trade. The all-share index rose 4.60 to 490.01. Shipping issues have found strength in almost daily

Fed fosters a volte-face over rates

WALL Street's overpowering influence again held sway over Enrope yesterday, this time cheering bourses with growing indications that the Federal Reserve had eased credit, writes Our Markets Staff.

writes Our Markets Staff.
Concomitant talk of widespread cuts in US prime rates
later fuelled the upward correction, after two days of gloom
on the Continent when traders
had worried about falls in New
York and the threat of higher
interest rates.
The sudden about-turn demoustrated the markets' lack of
confidence said one analyst

confidence, said one analyst. "It just shows that people's long-term views don't extend to three days."
FRANKFURT saw some

investors return to equities, which began to look more attractive in relation to one-year bonds after their fall on Tuesday. Volume. however, remained low at DM3.3hn. Prices should continue to

recover in the short term, according to one analyst, but the extent of the rally will depend on Wall Street and the bond market. The bourse was given a brief fillip by the signs of an easing in US rates.

The day's main feature was the construction sector, which was boosted by the Government's announcement on Tues-day of a DM8bn housing programme for the East German immigrants. Holzmann gained DM25 to DM1,000, Hochtief rose DM22 to DM370 and Bilfinger & Berger added DM18 to DM539. Kaufhof, the retailer, rose DM10.50 to DM532 after an improvement in nine-month

The FAZ index gained 2.52 to 610.75, and the DAX index added 13.72, or 0.96 per cent, to 1,441.79 after its 2.1 per cent decline on Tuesday.

AMSTERDAM leapt ahead in response to the events in the US, and underpinned hy a strong rise in Philips. The CBS tendency index, which had shed 9 per cent since the October 16 rout, recovered 3.8, or 2.2 per cent, to 178.4. Volume was a moderate Fl 730m.

Philips was boosted F12 to Fl 47.60 hy enthusiasm for the planned flotation of its recording subsidiary, PolyGram, which is expected to enhance its assets. Philips will retain about 80 per cent of PolyGram, and the deal may raise as much as \$700m.

Hoogovens, the steel group was up F12.60 at F181.70; it said it had won a \$84.5m loan from the European Community

ZURICH huilt on the prevital rose FFr18 to FFr301. over of the insurance company. ous day's late recovery, as interest rate fears faded. The Crédit Suisse index rose 10.6

points, or 1.8 per cent, to 596.4 on bargain-hunting. Bearers of Brown Boveri, the engineering company, surged SFr395, or 8 per cent, to SFr5,325 and the registered shares galned SFr95 to SFr1,165. Asea Brown Bovert, which is jointly owned with

Asea of Sweden, reported a 54 per cent rise in nine-month profits, at the higher end of expectations. PARIS was enlivened hy speculation and shares ended slightly higher, helped hy the etter tone on Wall Street. The OMF 50 index rose 4.71 to

Metaleurop soared FFr27.10 to FFr256.60 on heavy trading of 657,000 shares, driven hy speculation that Imetal would sell part of its stake, said an analyst. Imetal has exercised analyst. Interest has exercised as 15,000 warrants it held in Metaleurop, thus pushing its stake from 20 to 25 per cent, and has indicated it wants to keep it below 20 per cent. Ime-

Rentco International

£7,500,000

Mezzanine

Arranged hy Standard Chartered

(May 1987)

Pan-European deal

PS Triar rose FFT381.

PS Triar rose FFT43 to FFT4876 after falling FFT27 on Tuesday on its plans to sell its soft drinks husiness. Yesterday it told Reuters news agency that its 1999 profits should rise by between 40 and 50 per cent.

MILAN initially lost ground, but recovered in late trading. but recovered in late trading. which one analyst saw as "one of the first signs of the market hottoming out." The Comit index shed 2.62 to 648.98.

Demand concentrated on

Nuovo Banco Amhrosiano (NBA), which had accounted for more than 11 per cent of total turnover on Tuesday. Interest was stimulated by the dispute over a 13 per cent stake which Crédit Agricole is seeking in the bank. NBA ordinary
shares added L35 to L5,027
after falling L43 on Tuesday,
while Gemina, which is contesting the Crédit Agricole
move, added L9 to L2,201. La Fondiaria shed L50 to L55,150. Ferruzzi, the major shareholder in Fondiaria, denied a press report that it

was in talka with Suez of France about a possible take-

BPCC

£40,000,000

Mezzanine

Arranged by

Standard Chartered

(January 1989)

Largest placement at the time

on turnover of 191,000 shares. STOCKHOLM took heart from Asea Brown Boverl'a healthy results and the Affars-världen General index rose 11.6 to 1,218.4. Asea free Bs gained

increases in tanker rates, and Bergesen rose NKr9 to NKr352

SKr12 to SKr650.

MADRID weakened again in low volume, with construction stocks leading falls. Concern is growing that the 1990 budget may involve rises in corporate taxes, and that the chances of interest rates coming down are thin. The general index eased 0.47 to 301.13. BRUSSELS remained hesi-

tant but ended mainly firmer in low volume. The cash market index rose 56.03 to 6,275.9, and MHO, the non-ferrous met-als company, jumped BFr1,750 to BFr23,900 on speculation of a possible merger with ACEC-UM.

MILESTONES IN MEZZANINE

Gateway £375,000,000 Mezzanine Co-arranged hy

Standard Chartered (July 1989)



4 layers of Mezzanine in transaction of £120,000,000 Arranged by Standard Chartered

(May 1989)

London Clubs



The most complex

The largest to date

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	TUESDAY NOVEMBER 7 1989				VACHOM	NOVEMBER	6 1989	DO	LAR INCE	x		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Oay's change % local currency	Gross Olv. Yield	US Dollar Index	Pound Sterling Index	Local Currency index	1989 High	1989 Low	Year ago (approx
Australia (85)	148.32	- O.S	140.02	126.92	-0.5	5.23	150.11	140.90	127.60	180.41	128.28	147.8
Austria (18)	130.77	– s.a	122.63	125.41	−7.1	1.94	140.38	131.77	135.05	172.22	92.84	95.8
3elgium (63)	137.70	- 0.3	129.13	131.58	-0.8	4.21	138.04	129.57	132.80	144.49	125.58	129.6
Canada (122)	148.48	+ 0.4	139.25	125.86	+0.3	3.21	147.91	138.83	125.47	154.17	124.87	117.1
Denmark (36)	210.42	-0.2	197.33	204.92	- 0.5	1.54	210.87	197.93	205.85	219.89	165.35	145.1
inland (26)	125.48	+0.8	117.67	112.34	+ 0.5	2.51	124.44	116.60	111.80	159.18	123.12	126.9
тапсе (127)	129.68	~ 0.4	120.87	126.21	-0.8	2.95	129.16	121.23	127.18	139.94	112.57	108.8
Vest Germany (96)	92.85	- 1.0	86.88	88.84	- 1.4	2.32	93.54	87.81	90.07	103.84	79.56	85.0
long Kons (48)	115.79	-0.6	108.58	115.15	-0.6	4.88	118.53	109.38	116.89	140.33	86.41	105.7
re!ano 117)	158.14	+0.2	146.42	152.79	-0.2	2.90	155.83	146.26	153.09	186.69	125.00	129.8
laiv (97)	67.54	-0.5	82.09	86.20	-1.1	2.59	87.97	82.57	89.15	96.73	74.97	84.2
apan (455)	183.95	-0.6	172.50	166,74	-0.7	0.48	184.97	173.62	167.66	200.11	164.22	173.0
Jalaysia (36)	181.50	+0.1	179.58	199.13	+ 0.1	2.66	181.22	179.49	198.81	209.22	143.35	140.2
Mexico (13)	290.11	-12	272.05	834.20	-1.2	0.62	293.62	275.81	844.32	326.61	153.32	
letherland (43)	122 18	- 0.3	114.58	116.05	-0.7	4.57	122.55	115.03	118.90			163.0
lew Zealand (18)	74.81	- 1.5	70.16	67.48	- 1.7	5.21				131.72	110.63	109.0
lorway (24)	170.93	- 0.6	160.29	180.44	-0.8	1.81	75.95	71,29	68.62	88.18	62.64	71.
ingapora (26)	154.54	+ 0.2	144.92	139.69			171.97	181.42	161.76	198.38	139.92	120.7
ingapora (20)ingapora (20)	162.05	+ 1.8	151.96	140.57	+0.2 +0.4	2.12	154.23	144.77	139.38	170.62	124.57	121.
	155.89	-0.5	146.18	137.29		4.00	159.24	149.47	140.07	162.05	115.35	116.
ipain (43)	171.89	- 0.8 - 0.8	181.18		-1.1	3.81	156.73	147.11	138.80	169.75	143.14	149.7
wedan (35)	84.07	-0.3	76.84	163.31	-1.0	2.10	173.26	162.63	164.92	186.94	138.45	131.8
witzarland (64)				84.31	-0.7	2.24	84.37	79.18	84,94	94.16	67.81	84.2
Inited Kingdom (306)	141.09	+0.4	132.31	132.31	+0.3	4.60	140,47	131.85	131.85	158.41	133.28	136.0
ISA (546)	136.05	+ 0.8	127.58	136.05	+0.8	3.40	135.22	126.92	135.22	146.29	112.13	112.2
urope (996)	121.95	~0.2	114.36	115.83	-0.5	3.62	122,15	114.65	116.36	132.95	112.63	113.4
lardic (121)	165.58	-0.5	155 <i>.2</i> 5	152.45	-0.7	1.86	168.31	158.11	153.48	178.38	137.95	125.2
acific Basin (668)	179.92	- 0.6	166,72	163.11	-0.7	0.73	180.92	169.82	184.29	194.72	160.44	169.
uro - Pacific (1664)	158.80	-0.4	147.04	144.20	- o.a	1.65	157.48	147.82	145.12	166.98	141.56	147.
orth Amarica (668)	136.69	+ 0.8	128.18	135.42	+0.8	a.38	135.88	127.54	134.62	146,68	112.79	112.4
urope Ex. UK (690)	109.44	— o.a	102.63	105.76	- 1.0	2.92	110.09	103.34	106.85	118.51	96.30	98.9
acific Ex. Japan (213)	131.51	-0.5	123,32	117.86	- 0.8	4.82	132.22	124,11	118.52	140.05	111.83	124.
forld Ex. US (1859)	158.65	-0.4	146.90	143.79	-0.8	1.72	157.25	147.60	144.65	168.36	141.49	145.6
orid Ex. UK (2099)	148.96	- 0.1	139.71	142.01	-0.3	2.04	149.15	140.00	142.38	158.04	136.98	132.3
forld Ex. So. Al. (2345)	146.17	−0.1	138.95	141.09	- 0.2	224	148.29	139.18	141.39	155.92	138.67	132.9
forid Ex. Japan (1950)	131.33	+0.3	123.18	127.92	+0.2	3.53	130.96	122.92	127.71	140.43	114.51	113.4
ha World Indax (2405)	148.26	-0.1	139.03	141.08	-0.2	2.26	148.35	139.25	141.38	155.89	136.68	192.7

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FINANCIAL TIMES



As the federal government battles to reduce the budget deficit, Premier Brian Mulroney may be

heading for a constitutional crisis. In addition, Canada looks likely to experience a slowdown in the economy for the first time in eight years. David Owen reports.

Glitter wears off economy

AS CANADIANS dust off their hockey-skates and dip into their extensive winter ward-robes, on a number of counts immediate proepects are looking less rosy than for seven or eight years.

In Ottawa, the Conservative

government is racing hell for leather to make inroads into its worrisome budget deficit in the early stages of its second mandate, hefore thoughts begin to stray anew to re-elec-tion. The upshot has been an unsavoury string of revenue enhancement and expenditure reduction measures, which will culminate with the introduc-tion of a federal sales tax in

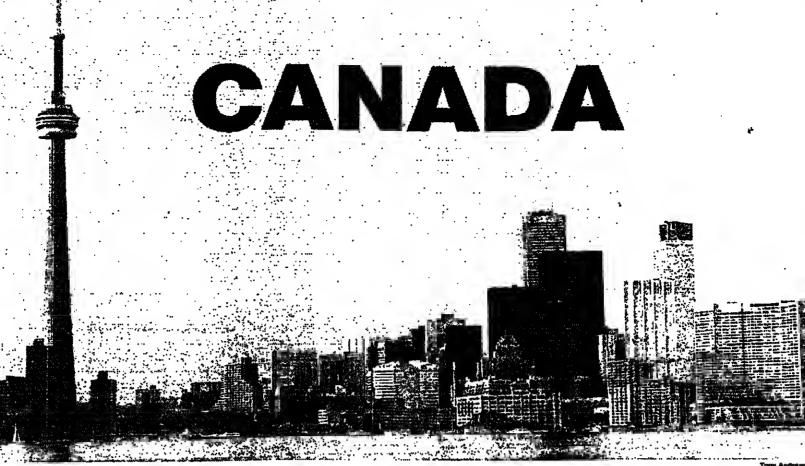
These measures have begun to bite just as an economic slowdown, which threatens to end an impressive seven-year run of uninterrupted growth, is taking hold. The slowdown is the legacy of the high interest rates on which the Bank of Canada is relying to tame infla-

Short-term interest rates in Canada are running at a highly unusual 350-450 basis points above those in the US, depending on whether Treasury bills or 90-day commercial paper is used as a benchmark. Such a differential has caused the

Canadian dollar to flirt repeat-edly with nine-year highs to the exasperation of domestic exporters and the detriment of the country's trade surplus: about three-quarters of Canadian exports are shipped to the

Meanwhile, Canadian-based corporations are buying and merging with one another at an unprecedented rate. Cou-pled with the accelerated pace of internal restructuring which has become apparent in the months since the US-Canada free trade agreement was rati-fied, this has made for a very uncertain labour environment. A measure of this uncertainty is the credibility ettached to the takeover rumours which have dogged Canadian Pacific, the country's archetypal and second-largest conglomerate.

To cap it all, the country may be heading for a constitu-tional crisis of as yet indeterminate proportions, as Prime Minister Brian Mulroney'e Meech Lake accord runs the gauntlet of provincial dissent. When it was thrashed ont hy Mr Mulroney and the 10 pro-vincial premiers in a now celebrated all-night session in April 1987, the accord was thought to have resolved the lingering constitutional dis-



agreements between Quebec and the rest of Canada. Much now hangs on the depth of Quebec premier Robert Boursa's enthusiasm for stitching together a compromise.

All this is not to assert that the outlook is as bleak as November in Tuktoyaktuk. Canadians are set to remain an enviably prosperous and cos-seted nation, however hard individuals are buffeted by the

coming squeeze.

There is reason to believe, furthermore, that each of the items enumerated above will be ephemeral or ultimately beneficial – or both. Electoral exigencies all but

Electoral exigencies all but dictate, for example, that the Mulroney government re-order its priorities and start again to formulate popular (though not necessarily sagacious) policy as the end of ite mandate approaches. In the meantime, further detailed appraisal of spending programmes and at spending programmes and at least one more austere budget are to be expected. Future spin-offs of this process may include a far-reaching reform of agricultural spending, to add to the unemployment insurance reform, tax hikes and selective spending cuts already The economy, meanwhile, is

forecast by most (though not all) economists to experience a softish landing, suffering just one or conceivably two quar-ters of negative growth. Busi-ness investment, in particular. has held up surprisingly well

in epite of high Interest
rates. Indeed, the resultant
buoyancy of the Canadian dol-

that have yet to be satisfacto-rily addressed. The first of these is the inexorable escalation of debt at each level of society. Ottawa'e deficit aesault is thus essentially right-headed, if late, painful and harmful to short-term economic growth. The second is a reprise of the deterioration in lar has actively encouraged companies to persist with their the country's cohesiveness.
Thie is likely to require unstinting vigilance if it is not plans, since a high proportion

Canadian corporations are buying and merging with one another at an unprecedented rate

of machinery purchases are imported. After initial upheaval, industrial restructuring may result in stronger, more efficient cor-porations which are better equipped to compete in global markets. Finally, on the tan-gled constitutional question, Canada quite eimply has a knack of muddling through in such matters; those aware of this track record remain quite confident that a solution (or at least a benign stalemate) will be reached.

Nonetheless, Canadians would do well to eschew com-placency with regard to at least two pernicious trends

to wither to the point where it becomes difficult to hold the

country together. At the end of last year, Canada's aggregate public and pri-vate-sector debt totalled C\$998.8hn, according to the Bank of Canada. This was equivalent to 166 per cent of gross domestic product. Four years earlier, the correspond-ing debt-load of C\$651.3bn rep-resented 146 per cent of GDP. In 1988, Canadian corporate indehtedness rose by 12.5 per cent to C\$288.8bn — an increment due in part to the sparseness of equity financing oppor-tunities in the wake of the 1987 stockmarket crash. Household

debt, meanwhile, rose by 17 per cent to C\$219.9hn. Here, the extraordinarily huoyant prop-erty markets in the likes of Toronto and Vancouver were largely to blame. Just as Ottawa - whose accumulated deht will reach

some C\$352bn in the current fiscal year — is finally launching into a concerted assault on its hudget deficit, so corporations and households alike have since begun taking steps to stabilise their respective loads. The difficulty of making headway in present circum-stances ought not to be underestimated, however. Revealingly, the proportion of revenues that the federal government must devote to debt servicing is this year projected to reach a record high of 35 per

Despite its predicament, Ott-awa has so far backed Mr John Crow, the angular, English-born governor of the Bank of Canada, to the hilt in his somewhat adventuristic pursuit of price stability, with Finance Minister Michael Wilson expressing readiness to make the necessary fiscal adjustments in due course. It promises to be fascinating to observe whether this solidarity holds true later in the Tories'

current mandate. The acid test may come if Mr Crow feels it necessary to tighten monetary policy in the wake of the federal sales tax introduction, to pre-empt a possible wage-price spiral triggered by the incorpo-ration of the one-time tax hikc into pay demands.

High interest rates and moves to address the federal budget deficit are also factors in the revival of regional and inter-governmental fractious-ness in Canada.

In essence, Mr Crow is a much-maligned figure in the fisheries of Newfoundland and the farmyards of Saskatchewan hecause the methods he is employing to wring inflation out of the booming southern Ontario economy, are resented as wildly inappropriate for the sedater margins of the outlying

Such views are indicative of a venal streak which is seldom far below the surface in provincial dealings with Ottawa: in the absence of a strong emo-tional commitment, the extent of a province's allegiance to confederation is directly pro-portional to the net material benefits which membership

A concerted attempt to balance the Government's books

CONTENTS Proble: Stanley Harti; Constitutional reform; Profile: Gery Filmon; Key Fects Foreign policy: Trede and investment US-Canada Free Trade Indigenous peoples: **Immigration** Quebec: Protife: Jean Campeau; Ontario Atlantic provinces Profile: Clyde Wells; Editorial production: Roy Terry

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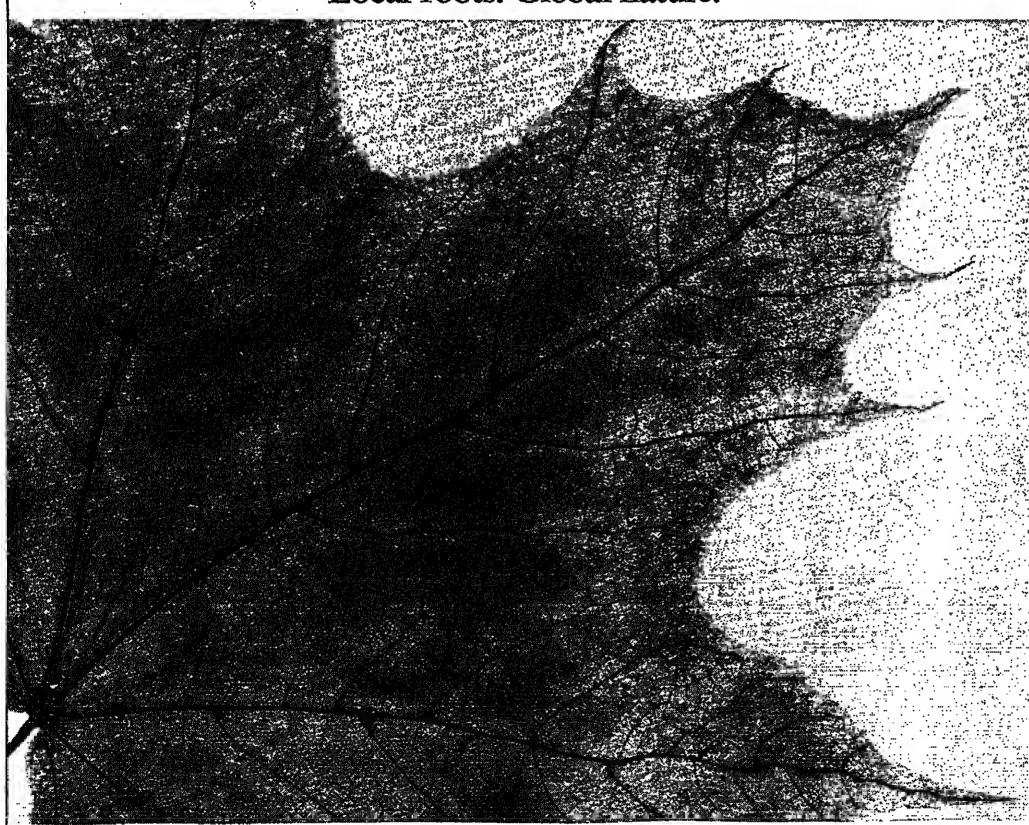
is thus calculated to weaken the ties that bind the country together, since it presupposes cuts in collective and personal money transfers to the provinces, and new tax measures to divert a higher proportion of personal income into federal

Where Meech Lake has proved instructive is in reveal-ing just bow low reserves of emotional commitment to Canada have sunk. When it ada have sunk. When it became clear that Quebec's "bottom-line" position for embracing the constitution was likely to he rejected, whether or not a compromise was sought, a common reac-tion among English-speaking Canadians was equanimity, coupled with exasperation at the prospect of yet more consti-tutional meanderings. In Quebec, any sense of apprehension at the prospect of breaking away has evaporated.

Quebec probably benefits from more material lures than any other province. In all, it receives about C\$5bn more in expenditures transfers and interest payments from the federal government than Ottawa extracts in taxes. Without these - and certainly if no satisfactory compromise over Meech Lake is forthcoming it is not unreasonable to sup-pose that its commitment to Canada would he distinctly insipid.

But Mr Bourassa may not be the only premier weighing what his calculator tells him against his attachment to the common cause. With interest charges now devouring such a disproportionate amount of federal revenues, the benefits of loosening ties with Ottawa are hecoming increasingly apparent, and attractive, as Mr William Mackness, dean of the management faculty at the University of Manitoha, has

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Calm follows election storm

FEDERAL politics in Canada is in a state of relative calm fol-lowing the storm of last year's coruscating, free trade-domi-nated general election.

On the Government benches, an aloof and confident Prime

Minister Brian Mulroney - the free trade deal in the bag - is luxuriating in the early stages of his renewed mandate. He is concentrating the bulk of his administration's efforts on deficit reduction. The subordinstion of new policy initiatives that do not have a direct bearing on the government's finan cial position may be expected to continue (with the exception of the thorny and emotivs abortion issue) until thoughts again begin to stray towards

Both opposition parties. meanwhile, are in the throes of leadership contests. It will be next June before the Liberal standard-hearer who will spearhead the fight to prevent a third consecutive Conserva-tive majority is known.

Of course, the public reaction to the measures so far unveiled in a bid to address the deficit problem - the scything of passenger train services, the tax, reform of the unemploy. ment insurance system, and cuts in defence and foreign aid have had a gruesome effect

on the Tories' popularity.
According to one recent opinion poll, the Conservatives are supported by just 29 per cent of decided voters, against 42 per cent for the Liberals and 25 per cent for the left-of-ceotre New Democratic Party (NDP). This compares with the Tories 43 per cent of the popular vote in last November's election.

But this has yet to affect the confident air exuding from the Mulroney camp. After all, the Conservatives have experienced this before: prior to the last election, the party trailed one or another of its rivals until late in the day.

The emergence of Mr Donald Mazankowski, deputy Prime Minister and Agriculture Minster, as a tough and exceptionally shrewd taskmaster and co-ordinator of policy objectives, has also helped to keep the swagger in the Conserva-tives' step. It has left Mr Mulroney free, for one thing, to strut the world stage in an effort to improve his hitherto lacklustre showing as an inter-



national statesman, secure in the knowledge that the scan-dals and slip-ups which marred the early stages of his first term are unlikely to recur. Indeed, Mr Mazankowski

emerge as a still more pivotal figure when proposals for reform of Ottawa's agricultural spending are tabled. These too have been given a high priority as part of the multi-faceted drive to reduce the deficit. Mr Mazankowski's credibility as a long-standing Western Prairie MP will be critical to the Government's ability to sell the ackage to farmers. The opposition's ability effec-

tively to harangue the Government at a time when the bulk of the legislation being presented to Parliament is unpopular, has clearly been hampered by the resignations of Liberal crat Ed Broadbent as leaders of their respective parties. The Liberal vacancy will not be fil-led until June 1990. The NDP assembles to elect Mr Broadbent's successor less than a month from now.

The reasons for the delayed date of the Liberal coronation to be held in the western city of Calgary - are essentially twofold. First, it is hoped, the fate of the Meech Lake constitutional accord. which has so divided the party, will be sealed. Second, it is anticipated the public image of Mr Paul Martin, a newlyelected Quebec MP and the preferred candidate of many in the party hierarchy, should be

With so unwieldy a campaign in prospect, no Liberal has yet declared his candidacy, although the main contenders are universally recognised to be Mr Jean Chretien, a former

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The pugnacious and widely recognised Mr Chretien is perrecognised mr Chreten is per-haps the front-runner. But he is disliked by powerful voices within the party (the so-called ABC or "Anybody But Chre-tien" faction). These voices are casting around for a possible

With an Ontario patronage scandal apparently putting pre-mier David Peterson ont of contention, the leading dark horses appear to be Mr Dennis Mills, a new but well-connected Ontario MP, and Mr Clifford Lincoln, the former Quebec environment minister. Other candidates may include Mr Lloyd Axworthy from the midwest and the outspoken Ms Sheila Copps from the steel town of Hamilton.

The most telling statistic regarding the impending NDP contest is that 68 per cent of Canadians, according to a poll, cannot name any of the les ship hopefuls. This is largely because the process has been blighted by the decisions of most of the strongest potential candidates not to run. They apparently fear widespread erosion of support (the party won 43 seats last November) should the next election be fought against a Liberal party led by Mr Chretlen.

The resultant situation,

whereby six less-than-outstanding candidates have pitched their hats into the ring, could be likened to the race between the seven Democratic "dwarfs" for their party's 1988 US Presidential nomination. For the record, those six elusive name are: Mr Simon de Jong, Mr Steven Langdon, Ms Audrey McLaughlin, Mr Howard McCurdy, Mr Ian Waddell and Mr David Barrett.

The chances of none of the six should be discounted, although Ms McLanghlin, whose ingenuousness is remi niscent of Philippines President Corazon Aquino, and Mr Barrett, a former premier of British Columbia, are marginally favoured. Mr Langdon whose speaking style, however aves much to be desired, and the lively and eloquent Mr McCurdy appear the best-placed of the remaining quartet to mount a challeng In fact, this period of transi-

tion at both major opposition

parties may not prove as bene-ficial to the government as it might have hoped. This is might have hoped. This is because, for at least eight months, much political atten-tion will be directed away from Parliament towards the provinces and attempts to salvage a meaningful accord from the constitutional reform process.

Looking further ahead, the Government should beware of

getting the worst of hoth worlds in its efforts to reduce its budget deficit As things stand, it has already served notice of enough spending cuts and revenue enhancement measures to incur the wrath of broad swathes of the electorate. What it has not yet done is bring the deficit — which edged up to C\$28.7bm in the last fiscal year and is projected to riss to C\$30.5bn in 1989/90 - unequivocably under control. The rising cost of servicing accumu-lated debt continues to make

SINCE they crossed paths nearly 25 years ago, Prime Minister Brian Mulroney has often told people that Mr Stan-ley Hartt is the smartest person he has ever met.

this a tough objective.

At the time, both were voting lawyers writing the bar admission examination in Quebec. Mr Mulroney passed at the second attempt. Mr Hartt was placed first in the province. Nonetheless, last year's move to appoint Mr Hartt, 51, to the key role of Prime Minis

terial Chief of Staff surprised

many.

The energetic, wiry-haired former Liberal had left Ottawa only eight months previously to return to his private law practice after serving for nearly three years as deputy

While there, he scored high marks for his handling of the department during an exceptionally reform-minded period This was despite initial scepti cism at his appointment among bureaucrats who were concerned that the upper echelons of the civil service were ing politicised. (The job has traditionally been held by a professional civil servant.)

He was also generally regarded as an influential advocate of restoring fiscal balance to the federal governmen by attacking the budget deficit.



PROFILE: STANLEY HARTT

An intellectual humorist

It is this stance that explains why his appointment as chief of staff — the most powerful, non-elected position in govern ment - won such wide approval

Already his influence can be seen in the way the Tories are buckling down to take the type of difficult decisions on spending cuts and tax increases that were largely avoided during their first term

The unpopularity that had followed some of these decisions, however, will challenge even his vaunted political, tactical and strategic skills.

When he first met the Prime Minister, Mr Hartt was a Liberal. His father had heen a nember of parliament for a Montreal constituency. Mr Hartt himself was an early supporter of Mr John Turner in his first bid for the Liberal adership in 1968. As the fluently bilingual host of a Mon-treal television public affairs programme, Mr Hartt was also a dogged supporter of federal-ism at a time when Quebec

separatism was in its ascen-Eventually, the Liberals under Prime Minister Pierre Trudeau sought him out as a prospective candidate for par-liament. They even reportedly dangled the promise of a cabinet job to tempt him to run in a 1978 by-election. Mr Hartt instead continued with his lucrative career as a corporate On a personal level. Mr Mul-

roney and Mr Hartt are said to get along well together, thanks in part to the latter's endless supply of sometimes profane

Indeed, the University of Paris law graduate has been described as an intellectual



with the style of a stand-up comedian. Such levity must be a valuable commodity in these sombre days of government spending restraint and

Also Toulin

Bernard Simon looks at the economy

Slower growth rate expected

CANADA was among the first of the industrial countries to ratchet up interest rates in response to accelerating wages and prices. There is some dis-appointment therefore that, after almost three years, the central bank has still not seen its way clear to allow rates to

The brighter side of the coin is that interest rates have stayed high because busine activity remains eurprisingly buoyant.

tive and forestry industries are prime examples — have seen a marked slowdown. And the heat has gone out of the booming property market in southern Ontario.

But the overall growth of gross domestic product is expected to reach a respectable 2.5-3 per cent in real terms this year, compared to a peak of 5 per cent in 1988.

Much of the advance is due to continued strength in busi-

ness investment and consumer spending. Toronto Dominion Bank expects household spend-ing to rise by 3.6 per cent this year (4.3 per cent in 1988), and business investment by about 10 per cent (18.9 per cent last

year). Hefty tax refunds earlier in 1969 and relatively high dispos-able incomes have encouraged consumers to keep spending, despite high interest rates. On the investment side, many businesses are still completing projects begun at the height of the hoom in 1987 and 1988. With four-fifths of machinery and industrial equipment coming from foreign suppliers, the strong Canadian dollar has also provided an incentive for

also provided an incentive for companies to press shead with their spending plans.

Although the damage from high interest rates has so far been moderate, there is wide-spread agreement that they are likely to put a much harder brake on the economy over the next year or so.

Banks' prime lending rate has climbed from 9.75 per cent in early 1988 to 12.5 per cent

in early 1988 to 13.5 per cent for most of this year. A more significant indication of the Bank of Canada's determina-Hank on Canada a determina-tion to hold up money costs is that the gap between Canadian and US rates has opened up from the usual 150 basis points to about 450 points at the end

of October.

The wide differential has confounded earlier predictions of a weakening Canadian dollar. The currency has traded above 85 US cents for much of above 85 US cents for much of the past three months, its highest level in almost a decade.

The high rates will almost certainly put a damper on the economy for at least the next 12 months, with a full-blown recession possible sometims during 1990. The Conference Board of Canada predicts that real GDP growth will dip from 2.5 per cent this year to 1.5 per cent in 1990, with the advance in consumer spending slowing from 3.7 per cent to 1.9 per from 3.7 per cent to 1.9 per

cent.
The hig question is the extent to which high interest



Wilson Finance Minister

rates and slowing growth will take the wind out of inflation. So far, the record has been disappointing. The advance in consumer prices has accelerated from an annualised rate of little more than 4 per cent during 1988 to 5.2 per cent in the past few months. "Inflation pressures seem to be stickler than we had expected," Finance Minister Michael Wil-

son said recently.

Higher excise and manufac-turers sales taxes are partly to blame for this year's spurt in prices. But the authorities are most concerned by unrelenting wage pressures. With the unemployment rate lower this memployment rate lower this year than in 1988, many bustnesses still have trouble finding — and keeping — skilled workers and managers. Wage estilsments in southern Ontario averaged 6.6 per cent in the second quarter, and some union contracts have

soms union contracts have

been negotiated at even higher iohe and add's constime burst rates since then, Predictions of trends in

wages, inflation and the economy as a whole are greatly complicated by the scheduled introduction of a consumptionbased Goods and Services Tax (GST) at the beginning of 1991. The GST has far-reaching implications for the economy. It is a cornerstone of the Mulroney government's reform of

the tax system, designed to replace a hefty sales tax levied only on manufacturers, and to give Ottawa a hroad-based source of revenue to attack the yawning budget deficit. But even some who favour the principle of a consumption tax are concerned that the advent of GST could do serious harm to the economy in the form of sharp price hikes followed by a wave of hig wage demands.

The government has pro-posed that the tax be set iniposed that the tax be set initially at 9 per cent. Low-income earners will get a tax credit to compensate them for GST peyments. Against the better judgment of many senior policy-makers, the cabinet decided in the run-up to last year's general election to east year's general election to describe for the compensate of and other essentials from the

The estimates of the GST's impact on the economy vary enormously. Based on the pro-posed 9 per cent rate, the finance department forecasts that the GST will boost gross domestic output by 0.2 per cent in the first year, create 35,000

of 2.25 percentage points to the inflation rate.

Most private sector economists have produced more gloomy figures, estimating that the GST will shrink rather than augment total output and lead to a loss of jobs. The Teronto securities firm Sco-tiaMcLeod expects consumer prices to climb by 6.8pc in 1991.

Fears of the strong in ary impact of the GST have brought a widespread call on Ottawa to lower the rate of the tax to, say, 7 per cent, by can-celling the proposed exemptions, especially basic gro-

in reality, the chief determinant of the GST's impact will probably be the general state of the economy. If consumer demand is strong in early 1991, businesses will have little trouble passing on the full extent of the GST (and, in some cases, perhaps even more) in the form of higher prices. But a weak economy and stiff compe-tition among suppliers may encourage many businesses to absorb at least some of the extra tax, thereby containing its inflationary effect.

With inflation still not squeezed out of the economy and the GST on the horizon, some of the experts who had hoped for a sizeable fall in interest rates as early as last summer, now expect only mod-est relief in 1990, and fear that rates may even be rising again

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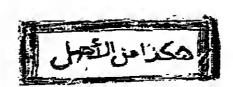


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Gary Filmon: biggest challenge to his political career

PROFILE: GARY FILMON

In search of a compromise

OF THE three provinces which oppose the Meech Lake accord, Manitoba is the most unpredictable. While the premiers of New Brunswick and Newfoundland are free to accept or rejact tha constitutional changes proposed, the decision for Mr Gary Filmon, Conserva-tive premier of this mid-west-

ern province, is not his alone. Mr Filmon leads the only minority provincial govern-ment in Canada. His govern-ment's legislation needs tha support of either the opposi-tion Liberals or the New Democrats. Forging a compromise on Meech Lake will present the higgest challenge of Mr Fil-mon's chequered political

Certainly, the constitutional question is fraught with dan-ger. If Mr Filmon rejects the

Party insiders feared that the boylsh, barrel-chested hydraulic engineer was not up to the lob

accord with the support of the a national constitutional crists. But if he supports it, without gaining the support of the opposition, his government could fall.

That Mr Filmon is still pre-

mier has astonished some. In March 1988, the governing New Democrats were defeated in a vote of confidence midway through their second term in

Although Mr Filmon's Conservatives were expected to win a majority in the subse quent election, they managed only a narrow plurality.

Indeed, the real winner of the contest seemed to be the Liberal party, led by the mer-curial Ms Sharon Carstairs. The Tories won 25 of the 57 eats, the Liberals 20, while the New Democrats were reduced

to a rump of 12.

While Mr Filmon became premier, party insiders feared that the boyish, barrel-chested hydraulic engineer was not up to the job. Such concerns are typical of the reservations which have plagued him since he took over at the helm of the

party six years ago. Mr Filmon entered politics as a councillor in Winnipeg,

into a working class district 47 years ago. After a decade in husiness, be was elected to the legislature in 1979. He served

in three portfolios in the Con-servative government before it was defeated in 1981. After he lost his first elec-tion in 1986, there were persis-tent rumblings that Mr Filmon was too moderate for his party; many also saw him as dull and indecisive. "He is not a pulpit-pounder," says a former assis-tant. Like US President George Bush, he has been called both a wimp and a nerd. Still, he has surprised many people by winning power and navigating the shoals of minority govern-

In fact, his handling of Meech Lake reflects his grow-ing political savvy. Like his predecessor, Mr Howard Paw-ley, Mr Filmon originally sup-ported the accord. But shortly after he introduced a bill of ratification last December all provincial legislatures must approve the accord – he reversed himself and withdrew

The catalyst was Quebec's new restrictions on the language rights of English speak ing residents. But many observers suspected that was simply an excuse for the gov-ernment to ahandon the accord, which was becoming increasingly unpopular in Man-

Mr Filmon knew that he through the House. Rather than risking defeat on the issue, he sent it to a legislative committee which recently drafted a common position. In winning the agreement of the other leaders, he appears to have defused the issua in Mani-

Beyond Meech Lake, Mr Filmon has managed to consoli-date his support by capitalising on hostility towards the federal government. He has lashed Ottawa for its interest-rate policy, its scything of the national rail service and its proposed national sales tax.

Mr Filmon expects to call an election within the next two years. If he wins a majority, he will ailence his critics, and emerge as a leading voice among Canada's new circle of

Andrew Cohen

David Owen discusses constitutional reform

Discordant notes on accord

"distinct society"; more powers over immigration; restrictions on federal spending power; recognition of Quebec's right to a veto; and a role in nominating

The Meech Lake accord.

unless changes are made.

Both Mr Mulroney and Que-bec premier Robert Bourassa Supreme Court judges.
These points formed the basis of the Meech Lake accord when it was cobbled together. In most cases, consensus was obtained by offering the powers demanded by Quebec to the other provinces. The accord consequently portends a degree of decentralisation which is regarded as maccent. continue to insist, meanwhile, that the accord cannot be altered. A spirit of compromise is required, clearly, if the constitutional reform process is not to revert to stalemate or worse. The story so far: which is regarded as unaccept-able by a broad smattering of special interest groups and prominent individuals, inclod-Meecb Lake was conceived essentially to address the main

ing former Prima Minister Though it received the Though it received the immediate support of both federal opposition parties, who were anxious not to alienate the Quebec electorate ahead of the approaching general election, the accord needed to be formally ratified by Parliament and all 10 provincial legislatures before the changes were tures before the changes were formally adopted. During this process the potential stumb-

of premier Rene Levesque.
After defeating Mr Levesque
in the December 1985 provincial election, Mr Bourassa, the new Liberal premier, pro-ceeded to articulate a list of five key conditions for Queling-blocks appeared.
Tha problem is that the respective premiers of Manitoba and New Brunswick, who bec's embracing of the consti-tution. These were: explicit recsigned the accord after a gruel-ling all-night negotiating ses-sion, were defeated in subseognition of Quehec as a

quent provincial elections. Emboldened by mounting opposition to the pact, those left holding the reins of power have hesitated before recom-

mending endorsement.
Premier Frank McKenna of New Brunswick Insisted on owaiting the (still unpublished) conclusions of a series of pub-lic hearings before deciding. He has recently been making concillatory noises. He insists, bowever, that ground will have to be given on both sides if the accord is to survive. Mr McKenna's principal misgivings concern the weakening of federal spending powers and the charter of rights, which he fears might be undermined.

In Manitohs, Conservative premier Gary Filmon initially supported the accord hut was obliged to delay Manitoba's rat-ification vote owing to his government's minority status and the deep reservationa expressed by both opposition party leaders.

The promulgation last December of Quebec's contro-versial English-language legislation provided Mr Filmon with an opportunity to reverse his stance. This he grasped dramatically improving his personal popularity ratings in the process. The leaders of the three Manitoba parties have

just published a joint submission that seeks certain changes to the accord as the price of their province's support. Demands include recognition of the special status of other ethnic groups in Canadian society and the watering dowo of a unanimity requirement for future Senate reforms.

> The Meech Lake accord is in danger of failing apart

In Newfoundland, Tory premier Brian Peckford was defeated only after presenting Meech Lake to the legislature for ratification. His successor, Mr Clyde Wells - a Liberal, is now threatening to rescind that approval if substantive changes are not made to address his concerns over the weakening of federal spending powers and, again, the need to secure unanimity for future senste reform.

Though his position is regarded hy some as a negotia-tiog ploy to attract federal largesse, Mr Wells - a constitu-tional lawyer hy profession, is seen hy others as the most implacable of Meech Lake's Mr Mulroney and the newly re-elected Mr Bourassa have so far singularly failed to bend in the face of this mounting clamour for change, arguing that the counteoancing of the slightest amendment could prompt the whole accord to

Meanwhile, e June 1990 "deadline" for completion of the ratification process ticks ever nearer. If it arrives with no solution in sight, the fear is that Quebec may feel definitively ostracised by its English-speaking compatriots, since even its sine quo non would have proved beyond the pale. Among Francophones, after all, Quebec's five condi-

tions are regarded as extremely moderate. But Canada, which has spent much of its history wrestling with one perceived threat to its survival or another, has a happy knack of muddling through against the odds. A compromise to finesse or head off either Quebec's ostracisa-tion or, indeed, the country's lingering death by decentralisation is still clearly feasible.
In one corner, the three dis-

senting premiers could con-ceivably be satisfied with the exsction of some form of undertaking to address their most serious grievances in the

next round of constitutional

In the other, Mr Boursssa might he prevailed upon to give a little ground, heartened as he must be by his renewed plurality and the strong Indica-tion that the concept of a "distinct society" clause has been accepted. Ao opportunity for the Quehec premicr to cede turf without losing face is even present: on at least one of its conditions - a role in nomi-

nating Supreme Court judges - the province was granted demonstrahly more than it had asked for and more than it had previously (in 1971) under the same premier, shown it would accept", as Professor Stephen Scott of Montreal's McGill Uni-

versity has pointed out. There may be relief, too, from intensifying time pressure. According to some consti-tutional experts like Mr Gordon Robertson of the Institute for Research on Public Policy: the June 1990 deadline - much beloved of the media - is actu-

ally mythical.

Mr Robertson's argument rests on the contention that the accord's resolutions of approval are being passed under the authority of a section of the 1982 Constitution Act – section 41 – to which

no time-limit applies.
It could be that neither side will want to exploit such a loophole, however. The looger the accord's fate remains unresolved, the greater is the risk of further complications developing through the defeat of more of the document's signatories et the ballot box.

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KEY FACTS

Area
ECONOMY GDP per capita
Merchandisa exports 1988
1988 Imports
Wheat
CURRENCY 100 cents

A declining troubleshooter

IT IS now 32 years since Lester Pearson, the late former Canadian Prime Minister, was awarded the Nobel peace prize for his role in helping to ease Britain and France out of

In the interim, little in terms of Canada's position in world affairs has altered: it remains a prosperous, widely-respected and well-connected middle power. But these days it seems to bave less and less of substance to impart on the problems besetting the world. It is perhaps revealing that Swedisb diplomacy has received most of the plaudits for encouraging the first tentative links between the US and the PLO. In recent years, Canada has

These days it seems to have less and less of substance to Impart on the problems besetting the world

Manifestly slow to recognise the significance of glasnost and the potency of the nationalistic forces that it has unleashed in

eastern Europe.

© Deafeningly silent on Latin American deht, to the dismay of those who believe Canada should better capitalise on its unique position as a member of the Commonwealth, La Francophonie and the Group of Seven to help reduce north-south tensions. (This, despite the con-ception of an innovative relief plan in the domestic private sector by Bank of Nova Scotia.) O Ultimately indecisive on China, notwithstanding the initial dispatch with which the Canadian ambassador was withdrawn from Peking in the wake of the Tiananmen Square

Even on the issue of apartheid, where Prime Minister

oughly studied.

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Brian Mulroney moved swiftly to take a decisive stand, an embarrassing biatus bas ensued. Mr Mulroney's bold and much-publicised 1985 pledge at the United Nations to invoke "total sanctions" against South Africa in the absence of "fundamental changes" has been followed by little action and a sharp augmentation in Canadian imports

from the apartheid state. Many ascribe this apparent dearth of initiative to the country's increasingly hinding ties to its powerful southern neighhour. As early as 1953, the Soviet delegate to the UN, Andrel Gromyko, described Canada as "the boring second fiddle in the American sym-

Certainly, Mr Mulroney who grew np in a town depen-dent on American capital and gained much of his managerial experience with US-controlled Iron Ore Co of Canada - has done everything possible to restore warmth to US-Canadian relations after the chill which enveloped the final Trudean years. The nature of the defence links between the two countries, furthermore - not only within Nato but also under the North American Air Defence Treaty (Norad) – means that the US inevitably exerts a considerable influence over Canadian strategic policy. The cancellation of Canadian plans to acquire a fleet of nuclear-propelled submarines, though it owed much to bud-getary constraints, underlined

Yet even under Mr Mulro-ney, Canada has criticised certain US policy initiatives, notably in Nicaragua. There are enough items of substance where we have a differentiated Canadian policy that the view that we are a flunky or lackey on developing country issues does oot stick, argues Mr Stephen Lewis, Canada's for-

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As a delegate at the 1990 Congress you will have the opportunity to examine the worldwide impact of privatization from global, national, provincial and municipal

mer UN ambassador. Though cynics interpret much of this differentiation as a relatively painless displsy of independence for the consumntion of domestic voters, there would appear to be more behind Canadian foreign policy inertia than mere subservience to US

One alternative explanation is simply the low priority accorded to foreign affairs per se during the Mulroney government's first five years in office. In this period, the govern-ment's main preoccupations were, initially, cementing the US-Canada free trade agreement and now engineering constitutional reform and a reduc-tion in the federal budget deficit. In such circumstane it is perhaps not surprising that some of tha goals and

aspirations of External Affairs - which has been presided over throughout the Mulroney years by Mr Joe Clark, the for-mer Prime Minister - have apparently been subordinated to these overriding concerns.
"This government does not want to meddle in things in which it has little chance of influencing the outcome," says Mr Charles Doran, director of the Canadian studies centre at Johns Hopkins University's School of Advanced international Studies in Washington.

One unwelcome consequence of this was the decision revealed last April in Finance Minister Michael Wilson's necessarily austere fifth budget to slash C\$1.8bn from Canada's foreign aid budget over five years. Tha move was announced within four months of the publication of an OECD statement lavishing praise on Canada'e aid programma. Viewed in conjunction with a 66 per cent increase in spending on concessionary loan disbursements that Ottawa was compelled to sanction, the inference is that money earthe poorest of the poor is in effect being channelled to countries which can afford to countenance major infrastructural developments.

But another more positive upshot has been the growth of an innovative strain of Canadian economics- and trade-re lated diplomacy. One could argue that the art of creative foreign policy-making in Canada has not disappeared, but

merely migrated.
One example of this is Canada's membership of the so-called Cairns group, a collec-tion of 13 agricultural export-ing nations which have pooled resources to fight for common goals. Another is its recent

There would appear to be more behind foreign policy Inertia than subservience to **US Interests**

tahling of a compromise position on tariff reductions at the Gatt. Still another is its renewed effort - in concert with the US - to encourage fellow OECD members to reduce the extent of their financing of concessionary loans.

Clearly, these initistives have not been undertaken for philanthropic reasons; all may (before the next election) have positive implications for Canadian trade and contribute to the deficit reduction effort. But, equally clearly, their impact may be much broader than that. Canada would not be the only country to benefit from a genuine liberalisation In global trade flows.

This focus oo a limited number of issues has also made it fsscinating to observe the Canadian attitude towards multilateral institutions under Mr Mulroney's stewardship. Multilateralism has been very much a leitmotif of post-war Canadian foreign policy. "Can-ada's opportunity to influence the course of world events lies primarily in sound multilateral institutions," the 1984 Throne speech clearheadedly argued.

Canada would not be the only country to benefit from a genuine fiberalisation in global trade flows

Except when the agenda of the hody in question has touched directly on the governhowsver, Canada has often, evidently, had little to contribute to proceedings. On such occasions, being seen to belong to - or still better play host to to — or still better play host to
— international organisations
has appeared to acquire the
status of an end in itself. One
example of this was Canada's
campaign last antumn (in
advance of a general election)
for a seat on the UN Security
Council. Says Mr Lswis:
"Nobody as far as I cruid see "Nobody, as far as I could see, had sat down and thought why we wanted to be on the Council...I think I can say that with some anthority, having done the campaigning." done the campaigning."

The enduring seriousness of Canada's commitment to healthy multilateral organisations should not be doubted, however, for all Ottawa's evident eagerness to exploit them for domestic political ends. This is perhaps best illustrated by the skill and tenacity with which the country has worked towards a settlement of the international tin crisis. Among the prims motivating factors was said to be "concern at the effect on international organisations of this going unre-solved.

THE battle for Connaught BioScieoces, the Toronto-based vaccines manufacturer, has ruffled a few feathers. Institut Mérieux of France and Ciba-Geigy of Switzerland bave been locked in a conflict in which Investment Canada, the Government's jovestmeet review agency, has intervened.

The agency had said it was not satisfied that Merieux's bid is likely to be of net benefit to Canada. The move came as somewhat of a surprise, given Canada's comparatively liberal foreign investment policy of recent vears.

It also cams against a background in which the level of mergers and acquisitions in Canada has been in hyper drive, and prominent among those entering the fray have been foreign companies

One calculation is that foreign companies have accounted for about one third of the value of all acquisitions in Canada over the past few

In 1988, 1,300 M&A transactions were announced, repre-senting around C\$24bn in value. In the first half of this year alone, the total M&A deals in Canada amounted to an estimated \$20bn following some hefty transactions, including the takeover by Stone Container of the US of Consolidated Bathurst, and the merger by Molson of Canada and Elders of their hrewery assets, and Exxon's takeover of

Texaco Canada. The intensity and the size of some of the activity might be new in Canada, but foreign investment certainly is not. The nation, which has thrown off its Fortress Canada image, has long been used to foreign acquirers, particularly from the US and the UK.

The Mulroney government has reopened the nation to investment in several ways. It has relaxed the rules with creation of Investment Canada, a federal agency mandated to encourage both domestic and foreign investment - in marked contrast to its prede cessor, the Foreign Investment Review Agency.

Foreign investors reacted

TRADE AND INVESTMENT

M&A activity in hyper-drive

quickly to the move. It led to a was accounted for by US invesmarked increase in gross capital flows to Canada which wen almost C89bo acoually between 1986 and 1988, compared with C\$4bn during the first half of the 1980s.

in addition, it has set about deregulation in several key areas, such as energy and transport, and now it has enhanced its attractiveness to foreign investors through the free trade pact with the US.

During recent years it has been helped by a strong economy, by the growing trend among companies towards globalisation and the amount of cash available for M&A activity. These have served to create virtually a hot-house cli-

Canada is anxious to jump on the globalisation band-

Wagon The trade pact is a key factor in this strategy as a result of which policy makers are con-stantly looking beyond the strictly bilateral to the much broader implications of the

Officials see the nact as a magnet to companies who want to enjoy the benefits of Canada, such as cheaper energy, while being secure in the knowledge that they have a launching pad for an attack on the 240m-strong US market.

Though Canadian negotia-tors failed in their objective of obtaining a cast iron guarantee of access to this market, the fair application of US trade law is at least assured by the pact's dispute settlement.

Mr Alan Nymark, executive vice-president of Investment Canada, points ont that the total stock of foreign direct investment in Canada in 1988 was \$110bn, and the lion's share, some 70 per cent, of this

Bnt, he added, that other countries were now investing heavily in Canada and it has benefited considerably from the strengthened position of Japan, West Germany and France in the post-war econ-

omy.

The Canadians are keen to develop their relationship with the fast-growing Asia Pacific economies, seeing them as a potentially rich source of investment. Although starting from a smaller base, the Asia Pacific percentage of the total foreign direct investment in Canada has been growing faster than any other.

For example, Japan in 1988 accounted for 2.8 per cent of the book value of foreign direct investment while it topped the 1980-88 average annual growth league table for the book value of such investment with a figure of 22.7 per cent.

Last year net Japanese investment was boosted by Daishowa Paper Manufacturing's purchase of Reed International's North American pulp and paper assets.

The Japanese, through Toyota, Honda and Suzuki, have also been prominent in investment in the motor industry, although they were attracted in part by a controversial dnty remission pro-gramme which Canada says it will discontinue under the terms of the trade pact. Japa-nese officials have said that their share of investment will grow, perhaps to 4 per cent, and will be diversified.

The structure of foreign direct investment is also Almost 80 per cent of the

increase in the stock between

1980-86 was attributable to

retained earnings, said Mr Nymark. The high rate of retained earnings is largely attributed to the investment in the resources sector, but Mr Nymark said that more than 40 per cent of the total stock is in

the manufacturing sector.
This is followed by oil and gas and the finance sector which is also being helped by a still incomplete liberalisation policy. The amount of foreign money being poured into prop-

erty investment has attracted much publicity. Vancouver and Toronto have been the target of much of the offshore money with Aslan purchases in Vancouver, in particular, hitting the head-

However, Mr Nymark maintains that although the property investment has been controversial it forms a relatively minor part of the overall flows. The Canadians went to see investment of a positive kind, especially in the high-tech area, but it is too carly to properly assess the effect the pact is having since this will depend on a range of factors, not least the performance, both absolute and relative, of the Canada and

US economic Some of the evidence of the pact's influence so far is said by officials to be anecdotal. But the pact is helping to stimulate a degree of distrivestment in the form of plant closures, hy speeding the rate ct which multinational companies restructure in response to the trend towards globalisation.
These have tended to occur in basic manufacturing indus-

tries, such as food processing.
The view, therefore, is that Canada has hecome a much more attractive proposition for the foreign investor who is seen as vital to strengthening the country's role in areas such as R&D activities and

high-tech. The government and many analysts are convinced that the pact will be a boon to foreign investment and that the economic policy will ultimately lay the hasls for a more dynamic investment climate.

Bob Vincent



Niagara Falls: the Free Trade Agreement is described as a watershed in the history of Canada's commercial relations

US-Canada Free Trade Agreement assessed

New baby is causing concern

THE US-Canada Free Trade Agreement is a new baby. The progeny is not yet a year old and its conscientious parents are intent on bringing it to robust adulthood. But as the parents eye each other over the cradle, some Canadians are

showing signs of concern. The concern is centred not so much on the part itself as the performance of their econ-omy measured in the key area of competitiveness.

The pact has been described as a watershed in the history of Canada's commercial rela-tions, and a trailblazer for the current round of global trade negotiations in tha General Agreement on Tariffs and Trade in areas such as services and agriculture.

It will remove virtually all remaining tariffs on trade between the two partners over a 10-year period. The net result for Canada, say economists, will be a richer nation since the pact will hoost growth, incomes and employment. The changes which are predicted to be wrought by the

pact are seen as more of a con-tinuation of a bilateral process that has been going on for some time. The Auto Pact, for example, which was signed in 1965, made way for duty-free trade within the automotive industry, albeit with "strings" in the form of domestic value-added

But such has been the response to the negotiation of the sgreement that requests, amounting to several thousands, have been coming in from an array of business sources on both sides of the border for an acceleration of tariff reductions.

and content requirements.

Officials see this as an encouragiog sign. These requests, not all of which will be granted, will have to be con-sidered by the governments

and industries concerned in the US and Canada. A further promising omen

was the eminently diplomatic first ruling (on fish) by the bilateral disputes procedure covering dumping, countervali-ing duties and other issues set Canada's competitiveness.

His words are echoed by Mr
E.P. Naufeld, of the Royal
Bank of Canada, in his latest

ing duties and other issues set up under the agreement.

The two sides were unable to agree on new rules governing such disputes, although they are committed to developing a new regime.

Canada was anxious to increase predictability and security for its exporters under the pact, and in the end the negotiators came up with a system of bilateral panels to hear anti-dumping and countered the state of the system of bilateral panels to hear anti-dumping and countered the system. tervailing duty disputes while the two sides' national rules

remained in place.

The aim of the panels is to ensure that cases are heard impartially. Those on the table at the moment are largely tech-nical and both sides are anx-ious to see how the interim measures work in practice. But Canada's exporters are feeling distinctly uncomfort-able about another issue which

could burt their performance within the trade pact - that of competitiveness. They have been hit by the strength of the Canadian dollar against its US counterpart and by accelerat-ing wage rates in a tight labour

The authorities have adopted a tough monetary policy to bring inflation, currently at just over 5 per cent, under con-trol and in the process it has taken the bank prime rate to 13.5 per cent which is well above that of the US.

Mr James Taylor, president of the Canadian Exporters Association, said that exporting companies were concerned that they were losing their competitive edge under the sledgehammer of monetary

The level of interest rates he described as "overkili". The road to zero inflation, hs added, was littered with casu-

Mr Taylor emphasised that

they were better off having the wide and growing gap that is clearly reflected in Canads's pact than not, but maintained that the government should deteriorating trade perforadopt an economic policy which was more sensitive to

mance."
The Bank of Canada, having identified the bogey of infla-tion, is adamant that it will maintain its monetary and fiscal policies to defuse inflation

But some businessmen feel that in the short term at least the medicine is proving just as damaging as the disease it is aimed at curing.

The worries dogging Cana-

da's exporters have brought homs the fact it has and will place greater disciplinary pressures on the economic policy-makers and Canadian compa-nies, both large and small, which will have to do husiness in a more competitive environ-

Bob Vincent

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forecast. He pointed ont: "Canadian wage increasea since the final quarter of 1988

have once again overtaken those in the US - a disturbing development with negativa implications for our competi-tiveness against the US.

Indeed, unit labour costs in Canada's manufacturing sector

have increased by 15 per cent since early 1985, compared with only 1 per cent in the US. "When the rise in the value of the dollar is taken into

account, our labour costs have risen 30 per cent in US dollar terms over this period — a

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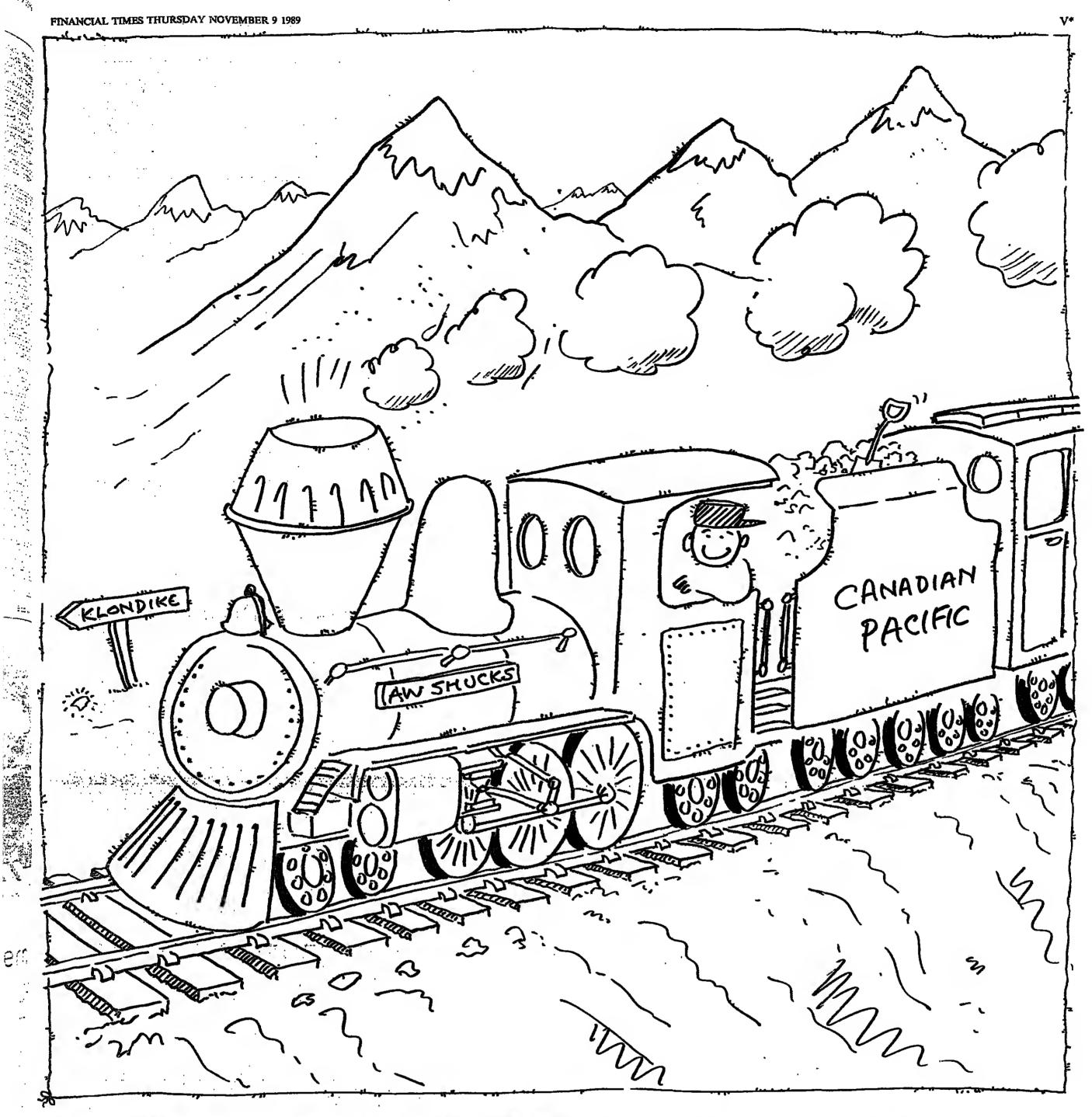
selves. Indeed, the true measure

of our dients.

of our success, has been the success

And the results speak for them-

front of Canadian law, we are well- our dients with advice and exper-



Go on, admit it. That's how you see us.

Don't worry, we're used to it.

Mention the magic words, Canadian Pacific, and we can almost hear what you're thinking.

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We'd rather you thought of us as a world-scale diversified enterprise, internationally capable, prosperous, vigorous, and facing the future brimful of confidence.

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But that, of course, is our point.

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Mr Wilson claims success in

hringing spending under control. He said in a recent speech

that preliminary figures for the

fiscal year ended March 1989 indicated that the federal gov-

ernment's budget deficit was C\$28.7hn, some C\$200m less

then forecast in the April hud-

heen cut by almost C\$10bn

He added that the deficit had

The Department of Finance

has calculated that as percent-

age of gross domestic product the deficit has fallen from its

postwar peak of 8.6 per cent in 1984-85 to 4.8 per cent in 1988-89, a decline of 3.8 percent-

age points, and it forecasts that

The GST replaces a

narrowly-based sales

tax which Finance

Minister Michael

Wilson describes as

archaic

it will decline further, to

that the Government had cut

the number of civil servants,

sold surplus property and imposed strict spending restraints on government

He added that the growth of

programme spending, includ-

ing such major items as trans-fer payments, had been reduced. It was down to an

average of only 3.5 per cent a

year since his government had taken office which was less than the rate of inflation for

the period. Last year, an elec-tion year, we held the growth

of programme spending to 3.1

In the budget, which was not

as tough as many had expec-ted, the Government intro-

duced C\$3.7bn of tax increases

and C\$1.5bn of spending cuts,

around 2 per cent by 1993-94. Mr Wilson said in his sneech

Mutual defence treaty

IN PICTURESQUE and symbolic Quebec City four months ago, nine of Canada's most prominent Indian chiefs a ground-hreaking mutual desence treaty.

The document, which has now been ratified by 15 indige-nous nations, contains pledges to consult whenever the "fundamental rights" of any of the signatories are compromised, and to provide assistance in the event of security threats. "The partles agree that a threat against one of them shall be considered a threat against them all," the pact pro-claims. It constitutes, in intent, the Canadian native peoples version of Nato.

The treaty follows a period of increasingly bad-tempered clashes between natives and the federal and provincial authorities across Canada. It raises the prospect that any future incidents may pit the powers-that-be against not merely a band but a looselyconstituted indigenous alli-ance. The agreement is a land-

For one thing, it shows a willingness among native peoples to bury often deep-seated differences to form a united front on issues of the highest

Ever since the 1930s, when Canada's indigenous popula-tion began to rise again, rendering "fatuous", in J.R.Mill-er's phrase, policles predicated on their eventual disappearance, the quest for solidarity among bands has been a recurrent theme of the native struggle. "Most of our efforts are devoted to creating a national position on major issues," says Mr Georges Erasmus, chief of the Assembly of First Nations (AFN), the first enduring native nmhrella grouping (which, however, does not represent Canada's mixed-blood (metis) or Inuit peoples). "Unity has always been important among our people and it may be getting more important than ever

Notwithstanding its importance, this quest has not been easy: securing consensus among the fissiparous native bands of Canada - some of whom were for centuries sworn enemies — has proved an elusive goal, even on the most critical of issues. False atarts included the formation of the North American indian Brotherbood in 1936 and the National Indian Council 25

of the AFN in the early years of this decade, the quest for

unity has been an uphill strug-



file so-called specific claims,

detailing the nature of the alleged betrayal. Obviously,

actions that are in the interest

of one group are not necessar-ily in the interests of the other.

Just such a dicbotomy, indeed

was at the root of the AFN split in 1985.

Moreover, the very structure of the land claims process, whereby each case is dealt

with on a piecemeal basis, can mean that unity is hard to

maintain even within bands.

The reaction to an offer of

wealth in return for the acknowledged extinguishment

of rights often varies from band member to band member.

Inevitably, in view of the pov-

erty and aimlessness which plague many reservations,

some will want to take the

money and run. So central is this dilemma

that it has become a preoccu-

pation of much contemporary

native writing. In Tomson Highway's play Dry Lips Oughta Move to Kapuskasing,

Gary Farmer portrayed a char-acter enthused with the idea of

hauling his reservation out of

its alcohol- and religion-in-

duced torpor by mass-market-ing apple-pies. In Jonathan Wacks's film Powwow High-

way, the same Gary Farmer takes a cynical, hard-nosed fel-

tnal trek to a sacred native

this summer, Ottawa even moved to exploit such diver-

gent sentiments by creating a brand new band - the Wood-

land Cree - comprised partly of a minority of Lubicon Lake

with Chief Bernard Ominay-

In one long-outstanding case

band member on a spiri-

gle. In 1985, a group comprising bands from Canada's vast western plains broke away from the AFN to form its own alliance, following the defeat of their leader, Saskatchewan's Mr David Ahenakew, by Mr Erasmus. Only recently has a limited reconciliation between

the two bodies been effected. But cementing Canadian native unity requires more than the erasure of differences between ancient rivals. There are strictly legislative barriers to solidarity to overcome as

The bands hounding Ottawa

The treaty shows a willingness among native peoples to bury often deep-seated differences

for resolution of their griev-ances are deemed to fall into two distinct categories: those who have never signed treaties abdicating ownership of their lands; and those who maintain that prior government prom-

For the former, the only recourse is an appeal to aboriginal title in the form of a com-prebensive land claim. If the claim is accepted, Ottawa will then offer to extinguish such title in return for cash, land and limited self-government. The question of sovereignty, which many natives regard ultimately as the only escape from the generations of paternalism and neglect to which they have been snhjected, is hence avoided.

The latter, meanwhile, can

tiations over the 50-year-old Lubicon land claim had broken down earlier in the year. The mutual defence treaty is also evidence of the increasing

ak'a hard-line leadership. Nego

resentment felt by original Canadians at the funereal pace and lack of flexibility which they see as characterising the comprehensive land claims process. To date, only one com-prehensive claim has definitely been settled, while a further two have reached the agree-

ment-in-principle stage.

The deals signed to date, furthermore, have covered tracts of land in the exceptionally sparsely-populated north of the country, where white Canadians are in the minority and the risk of raising hackles is slight. In the south, where most of Canada's 1.5m indigenous people live, it is much more prob ematical to arrive at mutually acceptable solutions. It is a measure of how slow progre has been that the outline agreement signed last year with three Indian bands in the remote Yukon territory took 15 years to conclude.

Despite its palpable failure, however, there seems little prospect of a meaningful reform of Ottawa's piecemeal approach to land claims until such time as a clear, legal defi-nition of aboriginal rights is reached. Although they are affirmed and entrenched in the Constitution Act of 1982, aboriginal rights remain, in the words of the Canadian Encyclopedia, "the most undefined, uncertain and fragile rights

known to our law".

In the meantime, it seems all but inevitable that instances of direct action taken by native groups in a hid to publicise their frustrations will proliferate, increasing the chances of a really serious confrontation with the forces of law and

But there is one further ave nue being exploited hy some native groups which may ultimately be more effective than small-scale acts of rebellion in establishing native concerns more prominently in the Canadian political consciousn In a nutshell, bands are have

ing some success in securing court injunctions to halt spe-cific industrial developments on disputed lands, pending the settlement of outstanding claims. The tactic has been used recently to delay the construction of logging roads in Ontario and British Columbia. The Innu of Labrador plan shortly to file a similar lawsuit in a bid to halt low-level flying at the expanding Goose Bay

The technique is essentially that adopted in 1972 by an Indian/Inuit coalition seeking to stop the construction of pre-mier Robert Bourassa'e vast James Bay hydroelectric project in northern Quebec. Though the requested injunction was turned down on appeal, this activism eventu-ally produced a negotiated settlement. The deal assured the natives concerned of rich roy-alty payments over 50 years, control of the sites they occu-pied, and hunting and fishing rights. It also turned Chief Billy Diamond, of the James Bay Cree, into an overnight folk hero.
"Of course, the approach is only of use when major devel-

opments are planned on Indian lands. As such its breadth of application appears distinctly limited. However, so vast are the tracts of land covered hy comprehensive claims - 54 per cent of the Canadian land mass, according to the Department of Indian & Northern Affairs, with one even embrac-ing Parliament Hill – that the disruptive effect on husiness could be considerable. Enough, conceivably, to provide native groups with some unlikely (and powerful) allies in their efforts to get negotiations with government moving at a more acceptable pace."

Skyscrupers Hide the Heavens by J.R. Miller (University of Turonto Press).

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Montreal

Ouebec City

THE newspaper beadline said it all: Slashed in half. The object of the axe was Via Rail Canada. The weapon was being wielded by the Mulroney Gov-ernment which last month announced that more than half of the railway's 405 weekly trains would be axed as a result of deep cuts in the gov-

ernment subsidies. The cuts brought protests from the Opposition, trade unions and transport lobbyists, and praise from economists. The latter propounced that if the Government was serious ahout reducing government expenditure, Via, the single largest discretionary item in the federal hudget, was cer-tainly one of the best candidates.

The newspapers have also been giving considerable space to another major issue recently - the fste of the Goods and Services Tax, a form of value sdded tax, which the Government proposes to introduce in

The Government is propo ing a 9 per cent rate and the howls of indignation have been long and loud in certain quar-ters despite the Government's hard-sell approach. There has been talk of a consumer tax revolt and business is demanding a cut in the rate which, in turn, has led to talk of "a 7 per cent solution".

The two issues are ulti-mately part of the same problem, that of the bld to balance the Government's books. But if the reaction to the Via plan GST are any indication, the Government is going to have a hard time pushing through measures to tackle what it has described as its inherited debt problem.

Mr John Crow, governor of the Bank of Canada, has tight-ened monetary policy and raised interest rates to stifle inflation pressures, and he is adamant that rates will remain high until those pressures have abated. He has been backed by Mr

Michael Wilson, the Finance Minister, who has underlined the urgency of tackling the huild up of debt.

The GST has been presented. as essential reform to the tax

It will be deficit neutral in the first year, but, say economists, It would provide a potent new revenue source.

system which will act as a

hoost to the economy, and

Bob Vincent looks at strategy to combat the deficit problem

Hard balancing act for Ottawa

raising an estimated C\$5.5bn more than the existing sales tax in 1991, and could, therefore, be used by the Government to reduce the deficit in the future. There is always, said one analyst, the tempta-tion to raise the rate once the tax is established.

The tax replaces a narrowly-based federal sales tax which Mr Wilson describes as archaic and as badly out of tune with needs of the economy. He points out that the existing tax hits exporters, a distortion which will be removed with

the introduction of GST.

Mr Wilson estimates that the tax will lead to a one-time increase in the level of prices of 2.25 per cent, hnt there is, he maintains, no need for it to create ongoing inflationary problems. Analysts, however, are less sanguine.

As for the hudgetary effect Mr E.P. Neufeld of the Royal Bank of Canada, forecast that as it now stands the tax will not have an impact on the federal deficit in 1991. The extra money raised by the tax is. being used to cushion its ini-tial effect through targeted tax cuts and credits.

Some analysts, bowever, believe the Government is not attacking the deficit problem with sufficient vigour, in that it is relying far too much on tax increases relative to spending cuts.

Mr Carl Beigie, of McLean

McCarthy, commented that under Mr Wilson the Government was holding tight on expenditure growth hut the base was too high. He added that Mr Wilson kept talking about blood on the floor but what was needed "is gore on

The task confronting the Government is considerable. estimated C\$321hn and the ser-vicing of that debt has been exacerbated by high interest rates whichare likely to remain which hit the defence sector overseas aid and transfer pay ments to toe provincial govern-

The main measures on the revenue side included an increase in the current mannfacturers sales tax, a new tax on corporation profits above CSIOm and a proposal that the Government end its funding

role for unemployment insuance, starting January next Tight monetary policy is keeping interests high and is pushing up the cost of servicing the debt. The Department of Finance in April estimated the debt interest at C333bn and it is estimated that it will rise

to C\$39bn this year. Mr Wilson has said that the surge in interest rates in Canada and abroad "shows just how much our huge debt has left us exposed". But some analysts insist that the reduction of the deficit will make deeper cuts, involving major spending programmes, than have so far been announced by the Covernment.

This might prove politically very difficult, given the reac-tion to the axe being wielded on Via, especially if social programmes come in for further pruning. Raising taxes, one analyst pointed out, was more acceptable in Canada but such action flew in the face of the tight monetary policy because the inflationary impact of

higher taxes.
The introduction of GST, say analysts, will mean that a tight hold will have to be held on interest rates to prevent the initial inflationary effect of the tax taking hold and being incorporated into the wage

structure.
A factor which would act in the Government's favour, however, is that the debt is highly sensitive to interest rate movements, being largely short-term debt, and so any reduction would have a swift and significant impact in reducing the build-up.

As to the future, a lot will

obviously depend on timing, the management of the econ-omy and the Government's political courage in the face of the protests at cuts, especially if Ottawa has to make the husiness is calling. For over the horizon there lurks further sources of strain on government finances - the infrastructure and the environment

Andrew Coyne investigates immigration policies

A lukewarm reception

would be Canada's. Very few know about the words that fol-lowed: "Canada shall be the star towards which all men star towards which all men who love progress and freedom shall come. There are men liv-ing in this audience... who before they die... will see this country with at least 60 mil-lions of people." Significantly, this was greeted with cheers. Neither of Laurier's predic-tions has come true. As the century winds down, Canada's population stands at just 28m copulation stands at just 26m. While the constituency is growing for allowing more people to fill the world's second largest country, hostility to immigration remains. Laurier's

speech today could as easily cause a riot. Yet statistics bear out that the country needs more people. Population growth has fallen to less than 1 per ceut, the slowest in five decades. The fertility rate has declined to 1.6, half the baby-boom pace of the 1950s. Some 60,000 people leave the country every year. The Macdonald Royal Commission on the economy estimated that on current trends Canada's population would peak around the year 2020, dwind-ling to 10m by the end of the

following century.
On the surface, Ottawa's response to this seems a mea-sured hut consistent easing of policy. In 1990 - immigration minister Barbara McDougall recently announced - Canada

will accept 175,000 immigrants

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FASKEN MARTINEAU WALKER

EVERY Canadian schoolchild overall, up from 160,000 this the world, Canada plans next canada to jump to the head of knows about Prime Minister year, and more than twice-the year to admit 33,000. In practice, a great many refugees in say it amounts to selling visas. Within those figures, how-ever, lie a tangle of classifica-

tions, reflecting a confused and contradictory policy.

The largest sub-group of immigrants, for example, are

The country needs more people. Population growth has failen to less than 1 per cent

"family class" — the immediate relatives of those who have already arrived in Canada. qualifying under a complex grading system of "desirable"

of all immigrants.

It is with the remaining two major categories, refugees and business immigrants, that the difficulties really begin, how-

ever.
Canada's intake of refugees, though high hy international standards, remains grossly inadequate. With more than 13m refugees in camps around

per cent."

attributes - make up the next largest category. Together, they comprise about two-thirds

recent years have simply arrived in Canada uninvited and stayed, while the cumber-some machinery for evaluating their claims to a "well-founded fear of persecution" ground on.
Many of these were plainly
false, giving rise to some local
resentment. But the practice of
past immigration ministers to declare periodic amnestles gives would-be refugees every incentive to continue to arrive

in large numbers.

The backlog of unprocessed refugee claims stands at more than 120,000. Ms McDougali's C\$100m scheme to cuil it lannched in January with a two-year timetable - hae cleared just 1,000 cases to date. Although dire forecasts were made at the time of mass deportations, the programme deportations, the programme seems increasingly likely to prove a disguised amnesty – if only because a Department of Immigration official called specifically to deny it.

Canada's so-called "investor" immigrant programme, introduced in 1986, meanwhile, has become increasingly scandal.

become increasingly scandalplagued. The programme allows foreigners worth more than C\$500,000 who promise to invest at least C\$150,000 in

especially given the offer some provinces have made to guarantee the investments as a means of luring these immi-grants their way. For all that, the most basis

problem with Canadian immi-gration policy remains the low numbers of immigrants admitted. Demographers calculate the intake would have to be 50 per cent higher than even next year's total just to maintain present population levels. Such an increase, though no more than the historic average. would cause unprecedented upheaval in Canadian society. An immigration level of 275,000 could double the foreign-born proportion of the population by the year 2000, from one in six to almost one in three.

Where immigration in previous decades was mostly from Europe, the mix is shifting toward Asia and Latin Amer-

If past trends persist, most would settle in the large cities. While this might be viewed with relative equanimity in Toronto, already one of the world's most ethnically diverse cities, it is even now causing strains in Vancouver, a magnet for Asian immigrants.

The University of Calgary has an Employment Equity Program and ancourages applications from all qualified candidates, including women, aboriginal people, visible minorities, and people with disabilities.

THE UNIVERSITY OF CALGARY **FACULTY OF MANAGEMENT**

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Calgary is situated in the foothills of the Canadian Rockies. It has a population Cargary is situated at the countrie of the Carrattlein mockles. It has a population of over 800,000. The city is Canada's oil capital and one of the country's major financial centres. It offers a variety of recreational opportunities including sports activities, theatre and concerts, museums and a major zoo.

All qualified candidates are encouraged to apply. However, in accordance with Canadian immigration requirements, priority will be given to Canadian citizens and permanent residents of Canada.

A recruiting team from the Faculty of Management will visit various locations in Great Britain in January 1990. If you would like to meet a representative during that period, please write to:

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The University of Calgary
2500 University Drive N.W.
Calgary, Alberta, Canada T2N 1N4



QUEBEC. Canada's second largest province, with a pre-dominantly French-speaking population, has emerged from a confused general election in

an irritable mood. an irritable mood.

Fortunately, the economy remains strong and the province is adapting quickly to Canada-US free trade. Investment is healthy and unemployment has dropped below 10 per cent for the first time since the

mid-1970s. But the old issues of language and relations with the rest of Canada seem far from resolution and yet more pressing despite the decisive election victory of lawyer-economist Robert Bourassa, aged 56, and his federalist Quebec Lib-

erals on September 25. Within Quebec, the francophones making up nearly 80 per cent of the total population of 6.5m, feel threatened by their very low birth-rate and rising non-French-speaking immigration in multilingual Montreal. They fear their suc-cess in making French the principal language of business in the province's economic hump could eventually be at

Also, many feel frustrated by the noisy opposition to the Meech Lake constitutional agreement in English Canada and its recognition of Quebec as a "distinct society'

For francophones, this would simply enshrine the reality of modern Quebec in the Canadian Constitution. Also, Meech Lake would return certain pro-vincial powers taken by the federal government in the past, thus cementing Quebec's exist-

ing autonomy.

The anglophona minority. once a powarful economic and political force and now total-ling ahout 700,000 living mainly in the western section of Montreal, feels betrayed by the Liberals' failure to restore hilingual commercial signs, despite a federal Suprema Court decision upholding their

Anglophones are now seats.

ONTARIO seems to be taking a pause for breath. Canada's

pace-setting province is expanding at a much more

demanding clear legal recognition of their rights in Quebec.

These issues bubbled to the surface in the election campaign. Mr Bonrassa and his new Cabinet will have to con-tain a potential resurgence of nationalism in Quebec, especially if he and federal Prime Minister Brian Mulroney cannot get the Meech Lake accord accepted by all the other provinces without major change.

For the sake of his own credibility, Mr Bourassa cannot lead Quebec back into the 1982 Constitution without the safeguard of Meech Lake.

The election gave Mr Bour-assa's Liberals 92 seats in the National Assembly, to 29 for the Opposition Parti Quebecois under former Finance Minister Jacques Parizeau, and four for Equality, a new anglophone protest party.

The Liberals lost seven

HARDLY any big husiness deal in Quebec is sealed without the blessing of the C\$32bn Caisse

de Depôt et Placement, money-manager for the province's public pension funds and car insurance plan.

Jean Campeau, 58, the tall, ascetic-looking Caisse chairman and general manager aince 1980, has just led his

troops to victory in a skirmish

with Bay Street corporate raider, Unicorp Canada Corp.

Mr Campeau's tactics, with

help from a provincial government that mistrusted him, won the Steinberg family's real estate portfolio in eastern Can-

ada and the US worth nearly

C\$1bn.
The Caisse is now a force to

be reckoned with in Toronto, and sometimes to be feared, as

the country's largest equity

Mr Campeau first raised

national controversy in 1982,

when the Caisse built a hold-

ing of almost 10 per cent in Canadian Pacific Ltd, then

Canada's biggest conglomerate, and demanded two boardroom

ONTARIO

Pausing for breath

Robert Gibbens looks at the second largest province. Quebec

Post-election irritability

popularity.

seats, including four in anglophone Montreal to Equality, and the PQ gained five.

More telling was the share of the popular vote: the Liberals won 49.9 per cent, down from 57 per cent in the December 1985 election. When the voters finally tired of a separatist government; the PQ won 40 per cent; and Equality nearly 4 per

Generally, the opinion polls indicate hard-line separatists represent about 20 per cent of the francophone vote. Many francophones vote PQ to hut-tress Quebec's negotiating position with Ottawa.

Mr Bourassa, premier from 1970-76, when be lost to the PQ led by the late Premier Rene Lévesque, now starts his fourth term with a clear mandate to continue the province's economic development and find an acceptable solution to relations with English Canada. But he can only try to mitigate

the language problem.
For Mr Parizeau, who fought the election on a clear independent ticket and received the hlessing of the province's larg-est labour group, the Canadian confederation has been a failure for 25 years. He deftly turned language,

Beech Lake, public sector strikes and environmental issues to his own advantage, trying to show that Quebec would be better off independent, but in monetary union with Canada. He succeeded in increasing his own personal

Speculation is rife about what might happen if Meech Lake were to fail. Lucien Bou-chard and several of Mr Mulroney's members from Quebec say they might leave federal politics and return to Quebec to forge a new political for-

Moderate forces inside Que-

Annual real growth has averaged nearly 5 per cent since 1985, or well above the national average. It will slow to about 3 per cent this year, as North America adjusts bopefully to a soft landing. bec and outside are working behind the scenes to find new

The budget delicit, around C31.5bn in fiscal 1990 and 1991, is down more than half from 1954-65

disastrous 1982 recession.

Debt service costs are below the national average. Personal taxes bave been reduced to near Ontario levels.

Business investment has been rising at an annual average of 16 per cent for the past three years.

A . downturn in some

relatively as much painful resource and manufacturing restructuring in manufacturindustries will be more than ing industry as in the sister offset by heavy investment in aluminium smelting and But Quebec's economy has hydro-electric expansion. come a long way since the

By 1993 Quebec's aluminium

ideas hurn me up."

The Caisse now has one-third of its assets in equities

and real estate. Its managers

use widely accepted invest-ment tools, such as Exit. Its

compound rate of return has

The fear remains that the Caisse will be used for political

nurnoses and even as an

independence. Mr Campeau

denies this, saving he wants to

act independently of govern-ment and direct the Caisse's

investments to maximise

returns and ensure adequate

Earlier this year, he blocked the merger of two Quebec-

hased pulp and paper groups, hecause he objected to the

terms. One was sold to the

Americans, It was an unpopu-

lar move, but the Steinberg

His term is running out

coup has satisfied nationalist

soon, and the test is whether

the Liberal Government will

future pensions.

feeling.

extend it.

strument to finance Quebec's

consistently won respect.

smelting capacity will be more than 2m tonnes, or 12 per cent of total western world capac-

Quebec has fully accepted the advantages with the disadvantages of Canada-US free trade and its manufacturing industry is undergoing another

round of rationalisation. It also accepts that its economy must be open to the rest of the world and it offers real comparative advantages, such as low-cost power and proximity to the north-eastero US

market.

It wants to provide an attractive base for European and other companies to enter the North American market and ensure that Montreal remains a vibrant financial centre and a truly international city. Several industries have

soown the way: aerospace, alu-minium and forest products. all of which must be global to Better times have enabled

Alcan Aluminium Ltd to modernise its Quebec smelting system - still the western world's

Bombardier Inc has moved into a global dimension in aerospace and suphisticated rail equipment. Pratt & Whitney Canada sells engines worldwide and CAE Electronics Ltd is the world's largest commercial flight simulatorbuilder.

Forest products forms have invested billions in a new modern capacity and in cleaning up environmentally. Their markets are not only in the US but also Europe and Asia.

Medium-sized manufacturing companies, particularly in electronics and other high-tecb areas, are finding they can compete under free trade, though many may have to

merge into bigger units.
While domestic tensions are absorbing a great deal of energy, Quebec has no Inten-tion of retreating from the main stream. That issue was finally decided by the 1985 elec-

Robert Glbbens

PROFILE: JEAN CAMPEAU

Powerhouse chairman

Immediately, the fur was fly-ing. The Trudeau Government in Ottawa accused Mr Cam peau and his master, Parti Quebecols Finance Minister Jacques Parizeau, of using a pnhlic sector agency as a hoarding party for a future takeover or "backdoor nation-

alisation". Mr Trudeau threatened special legislation and Campeau withdrew. But the Caisse still olds more than 5 per cent of CP Ltd and similar percentages in auch national firms as BCE Inc (its largest single equity investment worth C\$600m), Alcan Aluminium and Provigo

Mr Campean was appointed to the Caisse in a storm of con-

Chrysler, Toyota and Honda,

represents around 25 per cent

of the province's manufactur-

ing sector.

The motor vehicle industry,

boosted by the Auto Pact nego-tiated in 1965, accounts for a large chunk of Ontario's exports, which in turn provide more than half of the nation's

exports to the US, Its main

Bot there are some heavy clouds hanging over the automobile industry. The US majors have warned of overca-

pacity and the damage to profits of discounting. In addition, they face formidable competi-

tion from the Japanese on their

in the key US market, parts manufacturers have been hit

moving production from its Scarhorough, Ontario, van plant. The union immediately blamed the trade pact for the

An Ontario official pointed

The projected

slowdown comes after

six consecutive years in which the province

has been steaming

ahead

out, however, the Scarborough plant decision should be partly offset by a new truck factory

planned by Freight Liner at St Thomas, Ontario.

industry "is acting as a drag on economic growth this year, after heing ona of the main engines of expansion during

the preceding five years".

Demand for cars is not expected to rebound until 1991.

The strength of the C\$, high interest rates and the resultant

slowdown in consumer spend-ing are all leading to the eco-

nomic hrakes being applied in other areas of the economy. The accelerated process of cor-

porate rationalisation, trig-

gered by the trade deal, is prompting lay-offs and closures in industries such as food pro-

products. In addition, the

expected downturn in US growth will result in continued

weak demand for the prov-

The provincial economy, however, is showing continued strength in several principal

areas, such as services, which Ontario has been actively nur-turing, and non-residential

investment which is forecast to

remain the main source of

The increasingly important service industries are expected

to outperform the manufacturing industries, boosted by

growth in the province.

nce's exports.

ing, clothing and consumer

But the Royal says that the

sales have also declined

own ground.

troversy over special low rates for buying provincial bonds. He is a Montrealer, educated hy the Jesuits, and, after taking a commerce degree at the University of Montreal, joined a brokerage house. Later, he hecame a senior corporate executive and switched to the civil service in 1971.

He was soon manager of Quehec's public debt and became deputy Minister of Finance in 1977.
He has an intense dislike of

publicity and finds speech-making difficult. Critics call him a dictator, who runs the Caisse as a one-man show. He denies this, saying the Caisse is just too hig. Despite his C\$145,000 annual salary, be Jean Campeau: critics coil him a dictato

the office.

He has had to cope with high staff turnover, partly because some dislike his style and partly because bright money managers can earn much more at private sector institutions. Since the election of the Liberals late in 1985, he has taken

a less aggressive stance in wielding the Caisse's power,

Offbeat

Toronto

TORONTO is not the most

often rides the underground to

its portfolios nationally and internationally.
"Our first duty is to make a

but has continued to diversify

ways to bring Quebec back

into confederation, and refuse

Many Quebec industries

need national and interna-

tional markets, like their coun-

terpart in Ontario. Also, Que-

bee has important energy and

transport links with Ontario

Free trade is hringing about

and the rest of Canada.

to accept extreme pessimism.

profit and then to support Que-bec's growtb," he says, "People may say we've become too big and we should be broken up into competitive units. But would they think of splitting up one of the big banks, Alcan, or Canadian Pacific? Such

The Windsor Arms Hotel: The sort of luxury hotel where you want for nothing and have a good chance of bumping into assorted local characters in the downstairs bar. With a blt of effort, the idiosyncratic fur-

Dr Snn Yat-Sen memorial statue: A testament to Toron-to's latterday multi-ethnicity, this utterly charming little monument is situated on Broadview Avenue near the



Honest Ed's: The heart of arts patron Ed Mirvish's husiness empire is Toronto's corniest discount department store. Mr Mirvish is clearly adopt at exploiting business synergies: the inside walls are adorned with signed photographs of the stars who people his theatres. The Idler: Locally produced, highbrow, miscellaneous magazine which is just the job if you enjoy reading about the Cana-dian national identity.

David Owen

a financial centre. This has, in turn, been given a considerable fillip hy a policy of deregula-tion and liberalisation in the sector which has helped to attract an array of hig names to Toronto's Bay Street.

Despite the overall weakening of the province's economic performance, commercial and industrial investment is expected to remain in a healthy Such investment is generally

expected to continue to rise, as businessmen respond to the opportunities arising from the trade pact Commercial and industrial

investment is forecast to average a healthy 6 per cent during the 1990-91 period, after a predicted 10 per cent this year.
Toronto has certainly benefited considerably from both

residential and commercial development, and the rise of the service industries. But snch rapid development bas created problems, as the infrastructure starts to creak under the weight of such growth. Mr Timothy Whitehead, or the Canadian Imperial Bank of Commerce, said that bouse

by the strong Canadian dollar and the large expansion and modernisation projects, amounting to a capital injecamounting to a capital injection of some \$10bn since 1983, have largely been completed. The upshot is expected to be lower production rates and some plant abutdowns.

General Motors of the US, for example, recently announced it was considering shifts in North American vehicle production over the next few years, and moving production from its prices had been pushing up inflation and it was becoming "very very difficult to attract people to Toronto because of the prices". Transport was also a long-term problem. But, as one analyst emphasised, these are at least the problems of

One of Toronto's considerable strengths is its economic diversity, which has allowed it to ride the rough patches. It is intent on developing

new industries, especially in the high-tech area, and the pro-vincial government and the Municipality of Metropolitan Toronto have been encourage ing collaborative projects with

All this is seen as part of a policy of developing a strong nicha in world markets, which is as much a recognition of the globalisation of industry as the effects of the free trade agree-

The agreement with the US has opened up a raft of oppor-tunities but it will also provide considerable challenges to industry in the region. For, while giving an additional impetus to the the economy, there will be casualties as companies restructure and make

use of new technology.

In the short-term companies will be meeting these chal-lenges as the steam is coming out of the economy, but if the Government's economic policy is successful they will, accord-ing to some forecasts, benefit from lower interest rates and a lower Canadian dollar next

The wind was also taken out of Liberal premier David Peterson's sails this year, due to a damaging scandal over illicit political contributions. The silver-haired politician had previously enjoyed an extended honeymoon with the province's contented electorate, since ing re-elected in a landslide

The scandal, known as the Starr affair after the president of a local charitable foundation, has already cost Mr Peterson the services of one key adviser. A judicial inquiry is being set up to examine in more detail the nature of rela-tions between the affair's main protagonists.

Bob Vincent

immediately endearing of cities, especially if approached along the frightful Gardiner expressway – the airport road. Nonetheless, it does house some gems. Herewith, an unabashedly personal selection of 10 lesser-known attractions: The Real Jerk restaurant: Has lost something in translating from its original dingy but atmospheric east-end premises to a larger building, but remains the city's most reliable and raucous West Indian res-



The Rowland Caldwell Harris water filtration plant; Somewhat improbably, Toronto's largest water purification facillty is a majestic, low-slung ochre bangar of a building overlooking Lake Ontario. Its squat towers, patinated rooftops and art deco littings give it the air of a seat of learning rather than a chemical plant. Located at the extreme east of the Queen Street tramline.

nishings permit you to imagine that you are ensconced in a country mansion.

glowering Don jall. The Harbord bakery:

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FINANCIAL TIMES

moderate rate this year, and, according to some economists. it might not altogether be a The province, which accounts for about 54 per cent of the nation's manufactured goods, is expected to see the growth in real gross domestic product slow to 2.6 per cent

The Royal Bank of Canada estimates that there will be a further decline next year to 1.4

per cent. The projected slowdown comes after six consecutive

by the Royal to return to a stronger 24 per cent in 1991.

growth has brought its own problems. Toronto, for example, has experienced a con-struction boom which is put-ting a strain on the downtown

province a chance to consoli-date, while ticking over at a growth rate which is predicted

The signs of the slowdown are reflected in many areas of the province's economy,

see the slowdown as giving the

including the key area automo-bile industry which has been

Some economists, therefore,

providing one of the main

impetuses to growth.

area while high house prices are making it difficult to attract people to the city in a tight labour market.

years in which the province had been steaming ahead and recording growth rates above Canada by a string of big man-ufacturers, such as GM, Ford, the 5 per cent mark. But the long period of rapid

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THERE was little fanfare on October 1, when the biggest fish processing plant in Locke-port, a remote fishing village on Nova Scotia's south-western coast, officially closed its

Today, the empty, warehouse-like huilding on the Lockeport waterfront serves as yet another grim sign of the looming crieis in the C\$2bn east coast fishery, which is the economic mainstay of Canada's poorest region. For more than 400 years, teeming schools of cod, hake and flounder have been drawing fishermen to the icy North Atlantic waters. Now, after centuries of overfishing, the unthinkable has happened: the Maritime waters

are running out of fish. Fish stocks have dipped to such low levels that the Canadian federal government has been forced to slash the size of the iodustry's allowable annual catch in a desperate effort to replenieh the resource. Government scientists had demanded a 50 per cent cut in the 1989 east coast fish harvest. Instead, federal fisheries minister Thomas Siddon opted for a mere 12 per cent reduction, to 235,000 tonnes from 266,000 tonnes Yet even that was enough to

THE trade and tonrism

co-operative agreement signed in September between Mani-

toba and the state of Kansas

typifiee the emerging north-

dian thinking etimulated by the US-Canada free trade

Tonted by Mr Gary Filmon,

the province'e Conservative

premier, as "a key part" of his

government's efforts to encour-

The drive to forge closer links with the US is one of the

shape western Canada in the

next decade. The other

proofing diversification.

After years of marketing itself as a gateway, the city's per-

Washington state.

ATLANTIC PROVINCES

Net income threatened

rock the Atlantic fishery, which had enjoyed four strong vears after nearly going bank-rupt in 1984. Suddenly finding itself with too much plant capacity and too little fish, National Sea Products, the biggest seafood company in North America, announced cutbacks in May at eight plants in Nova Scotia and Newfoundland affecting more than 4,000

At the same time, Nova Sco-tia-based Clearwater Fine Foods, the largest exporter of lobsters to Europe, and Newfoundland'e Fishery Products International have also announced layoffs.

Usually, the Maritime provinces can count on government spending to pull them through tough times. But oot this time. The harsh deficit reductioo measures contained in the Mulroney government's April 1989 budget and other reform pro-posals have hit the perpetually beleaguered Maritime provinces harder than virtually any region in the country.

The biggest blow was Ottawa's decision to cut its future regional development spending in the Atlantic provinces by 25 per cent. But almost as painful was reducing the number of weeks of unemployment insurance available to applicants. That wipes ont a vital source of income for fishermen, farmers, loggers and other workers in the largely seasonal Maritime economy.

At the same time, the federal government virtually sounded e death-knell of Summerside, Prince Edward Island - the second-largest town in Canada's smallest province — when it announced it was closing the Canadian Forces base by 1992. Ottawa's drive to cut costs has also blocked progress on the C\$5.2bn plan to develop the Hibernia oilfield, discovered a

decade ago off the sonth-east coast of Newfoundland. That is grim newe for a prov-ince which suffers the highest unemployment rate (15.7 per

cent in September) and the lowest per capita income in Canada. The Conference Board of Canada had been predicting expansion as high as 6.9 per cent for 1990. But that had been based on construction spending on the Hibernia project which now has littla chance of materialising.

Overall, economic growth in the region is expected to slow in 1990/1. The brightest light continues to be New Brunswick, which has posted strong growth for the past three

The Conference Board predicts growth will fall to 1.5 per cent next year, as construction and maoufacturing slump. Even then, New Brunswick, which had an unemployment rate of 10.2 per cent in Septem-ber, enters the slowdown in fairly good shape. The prov-ince'e forest products industry remains in robust health and is investing heavily in new machinery with which to diversify production. Mining is also expected to post strong gains, mainly due to the revitalisa-tion of the provincial coal industry.

In nearby Nova Scotla, the Conference Board predicts growth will taper off to 1.7 per cent next year, as the fishery cuts and problems in the coal industry take their toll. A funding dispute with Ottawa has pushed production from the C\$170m Westray coal mine back to 1993 from 1991. On a more positive note, the forestry industry remains strong, while some offshore oil drilling could take place next year.

Prince Edward Island is expecting a banner year in farming. Even so, the island's tiny economy is expected to expand by a mere 1.3 per cent in 1990 - the slowest growth rate in Canada. Housing construction is expected to drop sharply. At the same time, the controversial proposed C\$1bn 13-km bridge linking it to New Brunswick is on hold nending a year-long environmental

impact study.
Meanwhile, Maritimers have been using the ballot box to vent their anger with Mr Mul-roney's federal Conservatives. Last year, the New Hrunswick Liberal party, led by Mr Frank McKenna, 41, an aggressive

lawyer, ewept all 58 seats in the provincial legislature.

Then in May, Mr Clyde Wells became the first Liberal to be voted premier of Newfound land since Mr Joey Smallwood led the province into confederation in 1949. Mr Wells, a constitutional lawyer, mounted a slick, attacking election cam-paign, while the Tory team floundered after the retirement of leader, Mr Brian Peckford. who had been premier for a

More evidence of the Liberal tide came a month later when Mr Joe Ghiz's government swept to its second cons majority in Prince Edward Island Mr Ghiz had sparked the Maritime switch to the party by winning a four-seat majority in 1986. This year, in a campaign which got off to a swinging start with the premier being punched in the nose by a marauding drunk, the Liberals won 30 of 32 seats. That leaves Nova Scotia premier John Buchanan - who

won a reduced majority last year - as the sole Conserva-tive premier in the region.

John DeMont

The outhor is a writer with Maclean's magazine.

has been shaken hy adverse public reaction to his far-reaching privatisation drive. Failing a revival in the premier's fortunee, the opposition New Democrats under their experi-enced and charismatic leader, Mr Roy Romanow, stand every

Manitoba's Mr Filmon has surprised observers by governing with a minority for almost two years. Having experienced a revival in his popularity in response to his U-turn on the Meech Lake accord, he has a shot at winning a majority. His chief rival for the premiership is likely to be Ms Sharon Carstairs, a pugnacious Liberal. in Alberta, Premier Donald Getty has already undergone his election test, being returned with a comfortable majority but with an opposi-

tion strong enough to suggest that the Conservative hold on the province may be waning. Mr Getty's low popularity was indicated in October's contro-versial election for an Alberta senator. Although the contest was Mr Getty's idea - he is trying to force the federal government to convert an appointed senate into an elected one - his preferred candidate was sonndiy

PROFILE: CLYDE WELLS

On course for confrontation

CLYDE WELLS looks dourly around his office and remarks: The decor was destroyed by the previous occupant." Two things rouse Newfoundland's new Liberal premier to pas-sion: any reference to the "previous occupant", Conservative Mr Brian Peckford, and constitutional reform.

Mr Wells, 52, is shaping into perhaps the staunchest provincial opponent of Prime Minister Brian Mulroney's Meech Lake accord, which is designed to bring predomicantly Freoch-speaking Quebec for-mally into the Canadian constitutioo for the first time.

Mr Wells's office is located in the Confederation building in St John's, whose late-1950s' style can only be described as Smallwood-Stalinesque. (Mr Joey Smallwood, Newfound-land's first premier, ruled Canada's easternmost province autocratically from its entry into confederation in 1949 until 1972.) The "previous occupant" took out the old wood panel-ling and furniture, replacing it with what Mr Wells refers to as a "bamboo ceiling" and vaguely Japano-Scandinavian

desk, sofa and chairs.

Mr Wells is a traditionalist
and believes, quite literally in
this case, in the dignity of his office. He projects an aura of personal gravitas, to the point of seeming a trille stuffy. In the moralising, mildly nagging tone of voice he frequently adopts, he is reminiscent of Margaret Thatcher.

But it is reforming Canada's conetitution that really engages Mr Wells's mind hardly astonishing since he is by training a constitutional lawyer. Incredibly, and uniquely among his peers, Mr Wells believes the provinces have too much power. "More

power is the worst possible thing for Newfoundland's peo-ple," he says.

The key to change, he feels, is reform of the Senate, the Canadian Parliament's upper house, whose members are appointed by the Gover-nor-General on the advice of the prime ministerial incumbent. What he would like to see essentially is a so-called "tri-ple-E Senate" — elected, equal and effective — with all 10



provinces guaranteed the same representation. This body would co-ordinate all federal programmes for regional deveihelp where help is needed". Because the Senate is ineffective, Mr Wells argues, there is at present no way for the provinces to counterbalance central power. The upshot of this was that the "monster" of regular First Ministers' conferences between the Prime Minister and the provincial pre-miers had to be created.

Premiers, however, see things only through a provin-cial focus, in Mr Wells's view. A Senate reformed along the suggested lines would repre-sent each province more fairly while maintaining a national

perspective. There is another side to Mr Wells, a downhill skier who chief joy is Piper, a 38-feet Hughes sloop. He is in com-mand of his province as he is of his boat. Like the best of skippers, he appears to harbour no doubts about himself or his course. Whether be will reach the sacred island of Senate reform, and whether, if he does, he will find the fabled economic rewards he seeks for his underprivileged province (the earned income of New-foundlanders was 56 per cent of the national average in 1987) is still in doubt. But he knows where he is going.

John Godfrey

THE WEST

Double economic thrust

ceived breakthrough occurred in 1988 when Hong Kong's Li Ka-Shing purchased a large central residential and com-mercial development site.

age Manitobans to take full Given Mr Li's high profile, his investment proved a mag-net for other property pur-chases by Hong Koog inves-tors. This helped push up Van-couver residential real estate advantage of the trade deal, it follows the inking of a similar pact in January between Pacif-ic-coast British Columbia and prices this year by an average of 20 per cent. The June sup-pression of the democracy two economic thrusts likely to movement in China has fuelled the desire of Hong Kong citizens to park assets in Canada. involves taking advantage of

Pacific rim opportunities created by Asia's growing capital The resource sector in west-ern Canada has also been attracting Asian capital. All pools and by Bong Kong's uncertain future. Having shaken off the effects of the the major Japanese paper com-panies are now investors in the 1982-85 recession, business and rapid expansion of pulp and government in the west is counting on the US and Pacific newsprint mills in Alberta and British Columbia. In total, markets to provide recessionabout C\$8bn is being invested in three western provinces. Expansion elsewhere in the Vancouver, the largest city in weetern Canada, is the major beneficiary of the surge in Pacific rim investment. North American pulp and paper industry is already caus-ing discounting of newsprint

and depressing industry profits. Bowever, most companies

have eignificantly improved balance sheets after three years of record profits. The majority should thus be able to handle the expected leaner margins without discomfort. Other major segments of the economy are similarly in rea-

sonable health: Agriculture - Estimated wheat production of 24m tonnes will be well ahead of last year's dronght-reduced 16m tonnes. Quality is average to excellent. Canadian wheat exports are forecast to rise by a third this crop year,
• Energy - This is perhaps the

west's weakest sector. The most notable development has been this year's sharp drop in oil exploration, reflecting the termination of tax-driven exploration incentives. In addition, a 5.5 per cent decline in exports of crude oil to the US is bolding petroleum production to 1988 levels.

Exploration for gas has remained vigorous, with the anticipation of major new sales to the US in the 1990s. However, the volume of 1989 US exports has declined slightly, and pricing remains cut-throat.

 Mining - The sour note in an otherwise good year for western-based mining companies was the recently-settled 13-week strike at Teck's Highland Valley copper mine in British Columbia. This is the world'e third-largest copper mine, shipping 425,000 tonnes of concentrate annually. Shorter strikes earlier in the year hit several

Meanwhile, publicly-owned Potash Corporation of Saskatchewan, the world's largest potash producer, is preparing a large public share offering. As much as 55 per cent of the company will be sold to private investors.

• Tourism - In British Columbia and Alberta, tourism has taken on an increasingly noticeable Pacific rim focus Several Japanese investors have been bidding up hotel properties in Vanconver and the popular Whistler ski resort to cater for increasing numbers of Japanese tourists.

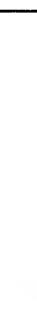
Growing volumes of tourism and business travel to and from the Pacific rim are also testing the capacity limits of Vancouver International Airport. The provincial govern-ment is accordingly trying to muster support for a C\$200m

It is a controversial project however, and the provincial government is scarcely in a position to marshall support for anything controversial Premier William Vander Zalm, although elected in a landslide in 1986, has become so personally unpopular that some of his own supporters have pressed for his resignation.

His unpopularity is somewhat paradoxical, since the economy is sound and his government was one of only two administrations in Canada that managed to balance its budget this year. But his low standing with the electorate suggests the left-of-centre New Democrats will be returned to office in the next election, expected in 1990, for the first time since their 1975 defeat. Elections are also expected

in 1990 in Saskatchewan and Manitoba, in both of which incumbent Conservative governments will be struggling to hold on to power. In Saskatchewan, Premier Grant Devine's administration

John Schreiner



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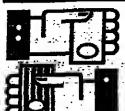
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FINANCIAL TIMES



From being a way of improving efficiency by automation, it has become an important element - and cost

factor - in financial business strategy. Information technology has a key role in an increasingly unpredictable business

environment, writes Alan Cane

Uncharted territory

THE ROLE of technology in the financial services industry is going through profound changes. At one time simply a means of improving efficiency through the automation of mechanical processes such as cheque processing, it is becom-ing a key element in the busi-ness strategies of banks, build-ing societies, stockbrokers and insurance companies.

Tha amounts that such organisations are already spending, and plan to continue spending, on information technology are huge. Belt-tighten-ing in the securities sector where trading, in London at any rate, is still only at about half the pre-Crash level, seems

According to Mr Rob Wood*, marketing and planning man-ager of the BIS Group, "over \$25bn was spent around the world by financial service ations on huying in information technology and services in 1988. Double this amount was spent on running and developing their in-house systems. In the mid-1990s, this expenditure will exceed \$100bn

a year."
Mr Wood says that financial service organisations use infor-mation technology as a com-petitive weapon to fight their market-share wars with com-petitors. "Yet, surprisingly, financial services organisations dissipate a great deal of their capital investment in information technology on failed projects. A 1987 survey found that four out of five projects were regarded as failures or failed to live up to expectations.

Despite all this, there are no longer serious questions about the need to spend heavily on technology. International Busi-ness Machines, which makes the mainframe computers used by the majority of the world's hig banks, estimates tha demand for new computing power from its financial services customers is growing by between 60 and 80 per cent

The real problem facing senior managers today is how to ensure that the organisation is getting value for money from all that investment. And this is against the background of a business environment which is becoming increas-ingly unstable and unpredict-able as a consequence of deregulation and global competition. The prospect of the single unified European market after 1992 is a further



Information Technology in FINANCE

According to Mr Alfred Chat-tell, chief anthor of a new study of the use of information technology in financet: "Senior executives believe the industry is moving into uncharted territory, where organisations become vulnerable unless they are equipped to adapt in the

are equipped to adapt in the right ways at the right time.

"Collapsing traditional barriers, new technologies, changing demographics, markets competition, social attitudes and customer expectations question the strategic assumptions of even the best-run companies."

Financial services companies face two main challenges in technology. First, how to bring technology. First, how to bring their existing systems up to scratch. "They are about to hit obsolescence in a very big way," says Mr Ranald Bain, Way, says Mr talant Bain, UK marketing director for Electronic Data Systems (EDS), a subsidiary of General Motors which specialises in data cen-tre management. The critical question for managers is how to manage change; bow to ensure projects are completed on time and to a reasonable

The essential problem is that the financial services industry has always been a pioneer in

the use of computer technology for "back office" accounting. Banks and huilding societies were in the vanguard of the move to the creation of batch accounting systems. Built in the technology of the day, they were designed to handle high volumes of transactions and were optimised for throughput and accuracy.

and accuracy.

Today, however, all that is taken for granted and tha emphasis is on information about individual customers, something that batch accounting systems ware navar designed to handle. And, as they were mostly constructed in third generation languages like Cobol and repeatedly modified over the years, they are today inflexible and poorly matched to the demands of the market.

There are several solutions. Some institutions have bitten the bullet and committed themselves to rewriting their existing systems, using new technology. National Westmin-ster Bank, for example, this year announced it would spend some £3bn over five years on updating its ageing systems. The NatWest project, now well advanced, is being built

around a data management

system from IBM called DB2. It is a "relational database," a system which makes it easy to examine the relationship between various pieces of information in the files. The project is thought to ha the largest implementation of DB2 in the world.

Other institutions are imple-

menting banking packages of the kind developed by BIS in the UK or Internet in the US. Packaged banking systems are suites of generalised banking software; their principal ing software; their principal advantages are that, because they can be sold to many customers, the cost is a fraction of the price of a bespoke system. They can be installed in a fraction of tha time required for a custom system with none of the anxieties associated with project management and control.

On the other hand, like off-

On the other hand, like offthe-peg suita, packaged systems never fit exactly and even after enstomisation by the vendors, may not do what the customer wants. And while they are suitable for smaller banks and bank branches, they are rarely capable of handling the number of accounts typical of the biggest banks.

The second major challenge

for financial institutions is how to use technology for com-petitive advantage. To some extent, solving the first prob-lem can go a long way towards achieving the goals of the sec-ond. Despite the experience of the financial institutions in computing, few of them run their data centres as efficiently as they should. Andersen Consulting, the consultancy arm of the accounting firm Arthur Andersen, has intro-

duced a service that provides a methodology and a set of com-puter programs designed, hy analogy with computer-aided systems engineering, to bring discipline and best practice to tha cottage industry of Technology now underpins

most new services provided by financial institutions, Mr Chat-tell argues: "Increasingly, per-sonal financial services compa-nies have become 'software factories.' This means that many of the knowledge-based assets of a company are now encoded in software and that acitware is as useful as the knowledge it embodies."

Fine judgment is required to know when to co-operate and when to go it alone in technology-based initiatives. The UK

banks are collaborating to lay down the infrastructure for a national system of electronic funds transfer at the point of sale, and banks and building societies alike are collaboratmachine networks. It remains to be seen how the collaborators will find ways to huild competitive edge products on top of these common infra-

The Midland Bank's new telephone bank, Firstdirect, is perhaps an example of the kind of initiative that can be expec-ted. Firstdirect is the first British bank open 24 hours a day, seven days a week. There are no branches nor local staff. All transactions are handled over

Telephone Instructions are taken by human operators, using a direct marketing package developed in the US.

The Idea grew out of research which showed that

most people rarely visited their bank branch or talked to their bank branch of taken to their bank manager. For them, the telephone was an obvious banking conduit. The infra-structure was, of course, in place but it remained for Midland to take the risk of

CONTENTS

Building socialies; case study Smert cards; dealing room

eystems, settlement systems Technologies: Cese, EDI, exacutive support systems, database technology

Insurance: Eftoos Editorial production Gabriel Be

technology and training to bring the idea to reality. With so much now depend-ing on computer systems, the question of data security and integrity has become a significant issue. Natural and human hazards both have lo be taken into accouot. When an earthquake rippled through San Francisco last month, finance houses were among the businesses brought to a halt by the devastation. Mr Raymond Hipp, president of Comdisco Recovery Services, one of the largest US computer disaster recovery companies says that eight of its 25 US "hot start"

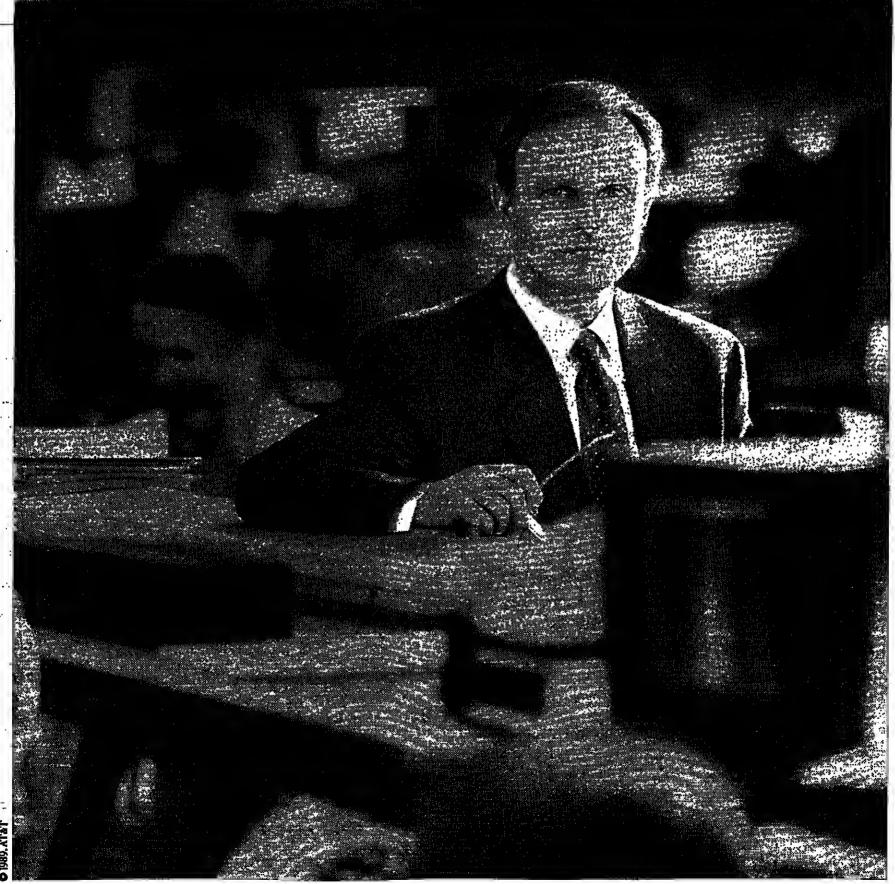
centres were called into service to deal with the emergency. There is now real concern over the various species of computer "virus," programs written by the ill-intentioned which replicate themselves within personal computer systems, eventually bringing the whole system to a stand-still and possibly damaging invaluable data. It seems there are now more than 20 common virusee in circulation, with such cames as "Alameda," "Brain," "Search" and "Stoned."

Networks of personal computers are now commooplace in financial institutions. A positive result from the publicity surrounding viruses and like software has been the introduction of control measures in many sites to prevent viruses gaining access to the networks. While vigilance is still essential, the virus problem may well be on the way to defeat.

The financial services industry is in transition and the use of information technology is accelerating that change, while fundamentally altering the way husiness is done. Who will benefit? The best guess is that two kinds of firm will survive; large, low-cost producers bas-ing their operations on the efficient use of leading edge tech-nologies, and smaller companies serving niche mar-kets. The losers will be those who take longest to learn the rules of the technology management game.

*Information 2000; The BIS Group, Pitman Publishing 1989, †Value for Money from Infor-mation Technology, Cresap Tel-

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Retail banking systems have experienced tremendous growth

THE MARKET in specialised such areas as mortgages, unit trusts and pensions. There are retail banking systems has experienced tremendons also a small number of systems growth over the past three or for credit card processing, such four years in response to the as Cardpac marketed by Sema rapid expansion of the retail (formerly Cap Financial), for those institutions wanting to financial services sector. In

addition to increased competido this themselves. The building societies have had a considerable effect on the growth of the retail banktion, there are several new requirements which the retail institution must take account of, particularly where regul-ation and reporting are cooing systems market because of the rapidly increased competi-tion in their traditional areas (mortgages in particular), and the new breadth of services cerned, and these, coupled with a desire to move into new areas of business, have increased the demand for technolthey now offer. ogy.
When it comes to technology

decisions, most institutions go for a package rather than try

to build bespoke systems. Not only are packages considerably

cheaper hut they are also tested and in most cases, have

some sort of track record. In

addition, the retail financial

market - compared with the

international banking market

lends itself well to packaged systems because of the high

volume and relatively low value nature of a good deal of

According to management consultants Peat Marwick

McLintock, which has recently published the first Retail Bank-

ing Systems Survey (to be updated quarterly), there are now more than 30 specialist

retail banking systems avail-able. These fall into two cat-

egories: general porpose systems and niche systems. The latter have developed in

For many, the need to intro-duce technology into business became acute following the Building Societies Act 1986, the increased monitoring and reporting requirements from authorities such as the Building Societies Commission and the Financial Services Act. They have also taken advantage of new areas of business,

An increasing number of systems is huilt around the such as unit trusts and insur-

Knowing your customer customer information file, ance, but also of basic current account banking services, which means that all informawhich have required considertion on a customer is stored eble systems support.
But it is not only the number of systems on the market which has changed the design under his or her name, combining perhaps two or three differaccounts, and as much

and technology of the packages has developed considerably too. No longer is the old account driven system sophistion, pension plan, mortgage, A database-based system will also store the information on ticated enough to cope with product lines, so that a bank or the increased competition building society can look at its between players and the demands of cross-marketing of position on mortgages or pensions across its accounts and get a good picture of its expoproducts. The emphasis now is on the requirement for integrated customer information. sure in a particular area of

> Some examples of systems built on a database are the Unisys Financial Services System (UFSS), Hogan's Integrated Banking Application (1BA), Temar from Third Wave Systems and Bancs from NCR. These have all been designed to take advantage of this need to "know your customer," while at the same time provid-ing administrative and general

hackground information as

possible (such as age, occupa-

ledger support.

The niche market can he a tricky one to negotiate. The main problem is that these add-on packages are unlikely to be compatible with the main system, so problems arise with integration and the ability to

look at a consolidated position becomes difficult. However, the vendors of these niche packages tend to be faster to respond to new conditions in their market, largely because they are unconstrained by conrations of integration, and they concentrate solely on one

As stand-alone systems, they also tend to be faster to imple ment. They are the answer for an institution which wants, or needs to move quickly into a tem cannot cope with this. The problems of integration are then outweighed by the advan-

Their number has grown as the design and technology of the packages have developed ...

tages of the package. In many ways the answer to changing requirements and the need for considerable flexibility is a database system which is parameter or table-driven and has the ability to be quickly amended by the bank to cope with new products. This is still a fairly new char-However, there are a few packages such as Omnia VME from Heywood and Partners or the Cullinet Banking System which allow the institution itself to define the processing requirements of a new financial product onto the system nsing parameters or tables without the need for the ven-dor to change the coding or write a new module, as would normally be the case.

At the centre of a retail institution's requirements is the ability to communicate with its branches. Online npdating is what banks and building sociwhat hands and briting above eties are after. Whether this information is held centrally in head office or in the individual branches is a matter for the different institutions to decide, says Mr Laurence Harris, a manager in the specialist bank-ing and finance group of Peat Marwick McLintock.

The devolving of responsibility down to the branch is a path many prefer, but Mr Harris points out that some institutions have gone the other way and centralised the procession and controlled the procession and contr cessing and sanctioning of decisions. Traditional packages such as Hogan's have taken the centralised approach, but now it is possible to decentralise and store processed data

A good example of a system which is capable of both the centralised and the decentralised option is the new Citicorp Comprehensive Banking System (which is being installed into HFC Bank). It uses IBM AS400s, and is real time and on line, and customer-focused.

Institutions will also need efficient communications links with other bodies such as payment networks and agencies from which they receive information. A good deal of information needs to be accessed, particularly to do with credit ratings, or quotations for insurance policies, for exam-ple. There is also an increasing number of reciprocal arrange ments between financial institutions, such as the ATM sharing networks, which require speedy exchange of data. "The functionality of

systems will always lag behind the requirements of the impo-vative banker, comments Mr Harris of Pest Marwick. The successful system suppliers will therefore be those which build up a detailed knowledge of retail financial services and their likely developments, and then manage to incorporate this knowledge in Certific and well-supported systems."

> it is now possible to decentralise and store processes data locally

For details of the PMM Retail Banking Systems Survey, em-tact L Harris, PMM. I Puddle Dock, Blackfriars, London ECAV 3PD. Tel: 01-236 8000.

Elizabeth Sowier

TRANSFERS BY MESSAGE

Swift II: long overdue

DELIVERING THE latest report on the much-troubled and long-overdue Swift II project, Mr Peter Drummond, an executive committee member of the Society for World-wide Interbank Financial Telecommunications, told a Stockholm seminar: "I feel a little like the accused standing in front of 1,500 public judges."

Swift is a funds transfer mes-sage payments system, co-oper-

sage payments system, co-operatively owned by over 2,500 banks world-wide. Its original system for transporting such messages, Swift I, has faced the problem of a looming finite capacity over the past few years as more and more banks have sent increasing traffic volumes across Swift's net-work. Swift II, first mooted in the early 1980s, is a project to rewrite the message transfer system from scratch, building in new functions and providing much higher capacity levels.

it was due to be delivered in May 1986, but technical problems and bad project management have led to continued delays. At last year's seminar in Vienna, Mr Bessel Kok, chief executive, warned bankers that if Swift II failed a series of tests held in January series of tests held in January 1989, the project would be scrapped. Swift users were furi-ous. Bankers have no similar payments network to fall back upon and if Swift had started to disintegrate, many banks would have faced the prospect of returning to telex as the main vehicle of payments communication.

The crisis of confidence last winter galvanised Swift techni-cians into action. The make-or-break January tests were passed and last February Mr Kok informed users that Swift Il would begin pilot operation in December this year, with phased transition to live operation starting after February

So when Mr Drummond took to the podium in Stockholm, bankers wanted a clear confirpankers wanted a clear confirmation that Swift II was still on track. They got it, but only just. A series of crucial network acceptance tests began last February and was due to be completed by the end of September. With prel-iminary results from those tests in hand, Mr Drummond was given the go-ahead by the board of directors (made up of bank representatives in relat-

Bankers got confirmation that Swift was on track — but only just

ion to their use of the system) to make his speech only four days beforehand.

days beforehand.

The series of tests was to check Swift II's ability to operate, response times, throughput, capacity and availability.

We are not there yet," said Mr Drummond. "All the targets have not yet been met, but we are getting there." At the end of August, 385 bugs remained in need of fixing. Nevertheless, Swift II will now go into a final stage of "systems stability testing" and a new X25 transportation network will he inteing and a new and transporta-tion network will he inte-grated. Around 70 banks have offered themselves as pilot test sites, starting from December

Transition (to full live operation) cannot start until we are sure of the system. There is no way we can mortgage quality for time. I am acutely aware that our track record for Swift II timing has not been exem-plary. However, I guarantee you that I and the whole team understand this part of the ser-vice equation years well. vice equation very well. Swift II will be up and running early

next year."

Of course, most bankers will not believe that Swift II has risen from the dead until they can put their fingers in the proverbial holes. Moreover, what Swift II is or will be nobody is really sure any more

The original plans for Swift II envisaged a highly complex system with many added func-tions, such as file transfer, dealing, confirmation, matching, netting and so on. However, as time has dragged on, large chunks of the system as originally perceived in the early 1990s have been chipped away. The version of Swift II to be delivered next year will be almost wholly an exercise in solving capacity problems. Meanwhile, the level of

incessant politicking between the shareholder banks on one hand and Swift's executive committee on the other has increased markedly over the past two years. From the early 1980s a dichotomy has existed between entrependurial executives who want to diversity Swift into new service arees and the major bank users, who service that they can rely

upon. Mr Charles Reuterskiold, the previous chief executive, was onsted by the banks in 1964 for trying to open up the network to non-banking financial insti-tutions. But Mr Kok has pur-sued the same goal at a slower pace, convincing banks that it Swift is to survive, it must add

"We cannot keep wandering around in a financial wonderland"

more value to its service Three years ago, Mr Kok succeeded in getting bank shareholder approval for the admit-tance of stockhrokers as network participants. At this June's annual general meeting money brokers were admitted as a new category of partic-ipants, but four other groups, including custodians, were

turned down. The reasons for the banks' fear of allowing new non-bank users onto the network are two-fold. Firstly, the banks would like the Swift executive to concentrate on getting Swift II up and running before tread-ing unknown waters. Secondly, and more import- antly, the banks continue to fear disinter-

The logical conclusion to opening up the membership of Swift would be to allow large corporations to use the service. To the banks this would be anothema, as their role as the middle men for funds transfers would potentially be extinguished.

When Swift has tried to diversify into non-controversial areas, its success has been limited. A joint venture with Renters to supply a global risk management system, Stream, collapsed a year ago after only a year of operation and no system sales. More recently, a joint venture with London's International Commodities Clearing House (ICCH), begun in late 1988 to produce Accord, a confirmation and matching system for foreign exchange, collapsed when ICCH pulled out in June this year. However, Swift is still going ahead with Accord, this time in partnership with Logica and Stratus Computers. When Swift has tried to

Mr Kok would now like to see a reform of the decision-making process of Swift, giving the executive more antonomous power. "I am convinced that in the coming years we will have to distinguish more and more between those who own and control the Swift organisation, and those who use the Swift network," he says, in coded language.

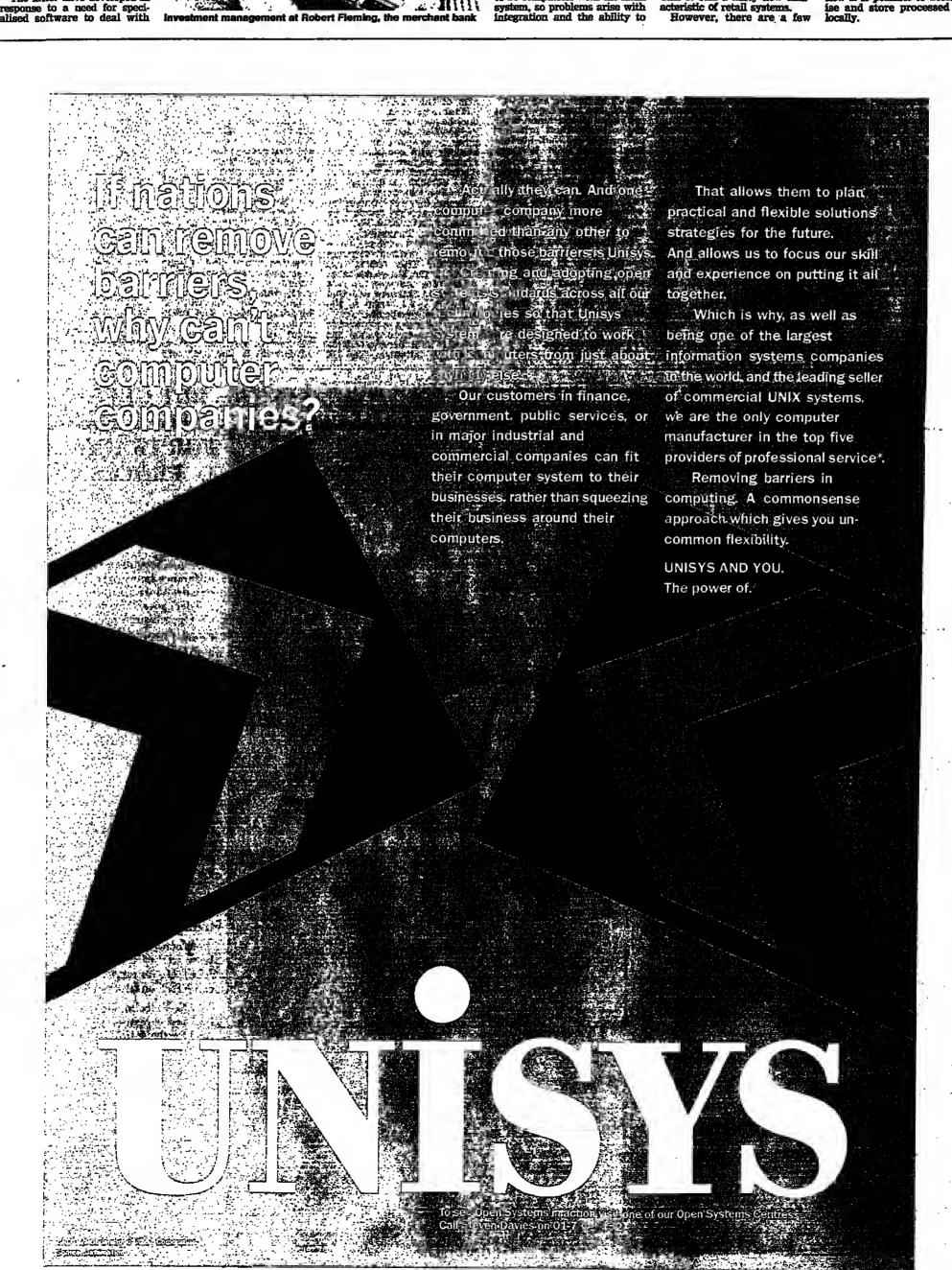
"Swift must retain leader-

"Swift must retain leader-ship in international interbank payment related communica-tions. For new services we can-not keep wandering around in a finan-cial wonderland. We have to focus on our strengths and we cannot have our fin-gers in too many pies.

"We should find the right mix of emphasis and try not to go too far afield in search of diversification. In that framework, multiple opportunities will remain."

But Mr Kok's freedom to go out and pursue that "right mix" will be dependent on the successful implementation of Swift II next year.

Paul Murphy



INFORMATION TECHNOLOGY in FINANCE 3

THE BRITISH building society movement is planning to spend almost a billion pounds on computer hardware and software over the next three years, according to recent fig-ures from International Data Corporation (IDC).*

The amount itself is not

especially large if compared with the sums some financial institutions are planning to spend on information tech-nology (IT) these days – National Westminster Bank, for example, has committed itself to investing some 23hm over five years. It indicates, nevertheless, how seriously the societies are taking IT as a means of meeting their business objectives.

25.

1.2"-20

Comparison between the banks and the building societ-ies in IT can be misleading, however. The largest building society is about 18,000 times the siza of the smallest. Almost 87 per cent of the movement's total assets of £162bn and more than 80 per cent of the total IT spend are accounted for by the 14 largest

For the most part, an analysis of the building societies' use of IT centres on the activities of IT centres on the activi-ties of the bigger members, although from time to time a small society takes an initia-tive based on technology — Nottingham Building Society's move into home banking in the early 1980s, for example.

TECHNOLOGY IS constantly becoming available to retail financial services institutions. Ensuring that they take advantage of it most effectively, and that their decisions do not swiftly become out of date with further technological advantages can be difficult.

National Westminster Bank's card services dapartment has recently installed a Document Image Processing system in place of its traditional data processing system. In doing so, it turned to Computer Management Gronp, (CMG), one of the largest European providers of computer-related Management and IT Consultancy Services

Selecting the right system was more difficult than It would have been with DP as image processing technology is newer and the different systems available vary significantly in their strengths

Image processing has obvious attractions over traditional paper. Users of a

The building societies' interest in information technology is focused on three principal areas: the revitalisation of head office accounting and branch systems, the develop-ment of networks of auto-mated teller machines (ATMs) and the evolution of special systems for competitive advan-

The movement acknowledges that it is now operating in a much more competitive environment in which information technology has become an essential alternative to more traditional forms of development. The Leeds Perdevelopment. The Leens Permanent, for example, in amouncing last month that it intended to close 60 of its 481 branches, pointed out that it had invested £14.5m on information tachnology in the past mation technology in the past year and would be spending £23m next year. Earlier, Nationwide Anglia announced it was to close 150 of its 883

branches. In such circumstances, the movement's top executives are faced with a special case of the dilemma which afflicts the majority of senior managers these days: how to ensure they are getting value for their money from their systems and how to use them most effec-

tively.
The larger societies are experienced and assured com-puter users. According to IDC, they operate an average of 2.7 **Building society technology suppliers** Uninys 19.9% Honeywei 4.4% Texas Instruments 2.2%

Branch IBM 15.6% Unisys 8.7% Nixdorf 15.7% Ericsson 4.7% Other 4.6% Philips 22.6% Offvetti 27.9%

Alan Cane looks at building societies' spending plans

No need for an albatross

CASE STUDY: National Westminster Bank

systems each, often across a number of sites. The Halifax, for example, the UE's largest building society, uses two large Amdahl systems, while the Nationwide Anglia and the recently floated Abhey National each use two large Unisys mainframes.

They all bave hranch systems, typically using equip-ment from NCR, IBM, Nindorf, Olivetti, Philips, Unisys and Nokia. Olivetti claims to be the market leader with 27.9 per cent, including orders this

year from Leeds Permanent of £25m, Coventry of £2m and Derbyshire of £2m. A major change this year has been a new recognition of the importance of software as the key to effectiveness. The most dramatic example, per-haps, is the case of the Leeds Permanent building society. Traditionally an IBM user, it

recently acquired a mainframe from Unisys (an A12) to run a

mortgage system developed jointly by Unisys and by the Skipton huilding society.

Called "UFSS," the system is written in Line, a fourth gen-eration language which makes it easter to make changes and modifications (see article on computer aided systems engi-neering, page 5).

Mortgage systems are a sig-nificant problem for most large societies with some 80 per cent planning to make changes to or npgrade their existing systems within the next five years. They would have been among the earliest systems to have been implemented for most societies. As a consequence, most are old, and have reached the point where they can no longer be patched

The aim is to create systems which utilise new technology and are much easier to modify than thair predecessors. The problem is that original systems were designed basically as accounting systems. They kept efficient track of the business figures but provided business figures but provided little in the way of customer information. These days, in an

increasingly competitive cli- is designed as a whole mate, the accent is on knowing

So now the ideal is a system. which can bring together at the press of a button, all the information the building society has about a particular cus-tomer. Building such systems is difficult, and the existing system tends to behave like an albatross bung around the

neck of the society. IDC asked a selection of building societies what IT ssues were constraining their business needs. The answers showed clearly how IT can act as a significant hrake on the business simply because of the timescales necessary to make

"In the larger societies,"
IDC concluded, "there was virtual nuanimity that IT
systems did not allow sufficiently fast development and Implementation of applications to meet new business needs. Some said their systems were insufficiently flexible Others complained of lack of development resources and ages. As one put it, a change of their mainframe system would impose a morstorium of 18 months on naw develop-

All of this explains the new interest among building society data processing specialists in "architected systems," a strategy or philosophy which "Building too Telegraphics and the strategy or philosophy which "\$2,500."

rether than as a series of discrete solutions.

Such systems allow the technology to respond to changing business needs much more quickly. The idea is to build systems for a future that can-

not be predicted. In the interim before the architected concept becomes both widespread and a techno-logical reality, many societies are showing ingenuity in building cost-effective applica-

Woolwich, for example, has developed a mortgage application administration system on personal computers using a relational database called DataEase from the software

house Sapphire.
The society reckons that the system saves on average one and a quarter boars on the administration of each mortgage, or a saving over the year of about 40 working years. Britannia Ballding Society

was the first UK company to adopt the advanced technology of optical disk-based image processing to speed mortgage file retrieval.

It now scans 27,500 documents a day and has become the largest installation of its kind in Europe. *Building Societies: Informa-tion Technology into the 1990s; International Data Corporation, 2 Bath Road, London W4,

system can get all the details they want without leaving their desks to hunt for papers or microfiches. Equipment such as microfiche viewers is no longer needed, and the need for messenger staff is also greatly cnt down. Documents

travel within the system. When a customer rings up with a query about a letter, the letter is immediately available over tha screen and so it matters much less whether or not the person who takes the

Supervisors can tell at a glance how much work each team member has done

call is the one who sent the letter. Supervisors can tell at a glance how much work each of their team members has done

at the end of each day and how much work is outstanding.

CMG began by breaking down NatWest's requirements into six main categories. For

business requirements, it

decided to mirror existing clerical work-patterns as far as

possible for user staff. It easily available, but this access to particular files was considered volumes and types means that in order not to maintained, just as it is in an of information, the latter included two types of scanned ontput as well as data transferred by magnetic tape from two different work

Although the workstations would initially be required for only a single building, CMG decided to hulld into the Image Processing system accessibility from several locations to meet possible future changes in needs. It also considered growth in the numbers of users of the system, on the assumption that business volumes might grow substantially heyond present

One of the great advantages of Image Processing Systems over clerical methods is they make much more information

overload the user with unwanted information, the system has to select carefully between standard information and additional information

available on request.
Windowing facilities —
which allow the user to view
two different pieces of information simultaneously on screen – were particularly important, so that workstation users in Customer Services, for instance, while handling a particular letter could also call np ordinary computer data about balances and customer records from tha bank'e mainframe computer system. CMG also wanted to ensure

that the system mimicked clerical work methods in other respects, for instance that the sequence of items and random

maintained, just as it is in an in-tray full of letters.

These criteria were established and sent out to potential bidders. Once their

tenders were in, CMG had to check their proposals for cost, user-friendliness and on-going maintenance support.

Eventually a File Net system, with British support by Olivetti, was selected as fitting CMG's criteria most

closely. An important factor was that it was the most likely system to be operational within a very tight time

For hardware, the system was to consist of 20 workstations with 20-inch high-definition screens. Two types of scanner are in use. The first type takes A4 sheets with a standard format

Image processing route -application forms for instance, while the second processes correspondence and has to be adjustable for size

and image intensity.

A laser printing facility is attached, though use of it is discouraged since letters are supposed to be permanently accessible on screen. Printed-out copy is to be used only

scope of the system.

Tape drives process
stataments and wordprocessing magnetic takes and
tape back-ups at the end of

each day.

The largest Item of equipment is the juke-box where the optical disks reside. NatWest's model has space for 64 optical disks and incorporates three disk-drives. It is boused in an airconditioned room with other

special equipment, both for security and to cut down on noise which might disturb users of the system.

The next step was training, beginning with 30-minute presentations to explain the scope of the system and the way workstations would actually operate. Compre-bensive training courses and full job guides were were needed. "It takes nsers a reasonable time to find their way around the system and its

Housed in an airconditioned room to cut noise which might disturb system users

facilities to achieve a good speed of use," says one CMG consultant who worked on the

A critical step was the choice of a system administrator to plan work-flows and scan their progress and try to prevent bottlenecks occurring. Trial operations were then run and a conversion exercise on one small area of customer services - the handling of accounts of deceased credit card bolders - was performed. It took longer than anticipated.

"The best approach in a customer services area, i feel, is to have separate teams handling new queries based on the image-processing system and old clerically-hased queries. It is extremely difficult for the same person to handla both types of query," says

To get the new users to accept the system fully, CMG believes that staff should be watched as they begin using itand given suggestions about how to make more efficient use of it. Software suppliers should be contacted to help diagnose any problems with inefficient software, and similarly additional hardware equipment may sometimes be necessary.

With image processing now established in its card services operation, NatWest is now examining the possibility of using it in other areas.

David Barchard

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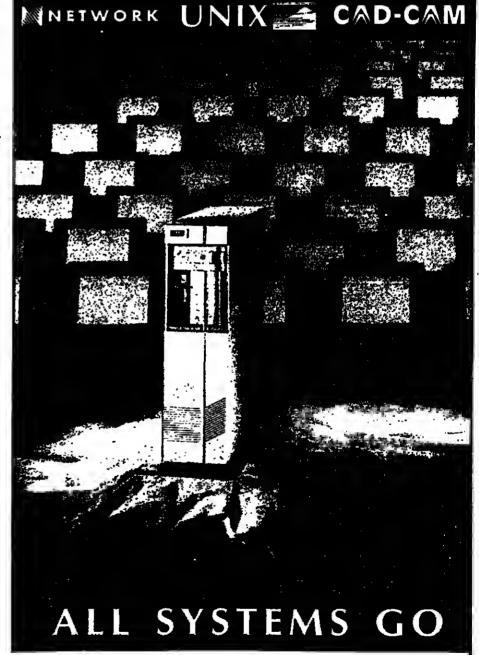
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The smart alternative

FEW TOPICS in the retail financial services industry attract as much disagreement as the future of smart cards. There are the sceptics who say that smart cards - which store information on microprocessors rather than magnetic stripes, and so possess memory and even intelligence, unlike the present generation of UK payment cards - are a capac-

ity looking for a use. This school of thought points out that in some of the bestknown smart card trials in the UK, for instance Barclays' trial scheme at Dallington Country Club, many of the uses to which the card is put have lit-tle to do with financial services, but rather with such matters as recording squash court bookings and the like.

Against this, another school

of thought points ont that smart cards are widely used in some parts of Europe already, particularly France and Norway, and that some simple smart cards, for example British Telecom's memory-only phone cards, are already part of daily life in Britain. This second body of opinion tends to focus on one aspect of smart card technology, its ability to

counter fraud. Given the enormous cost of switching from today's genera-tion of plastic card terminals which read magnetic stripes to ones which could handle information from chips, financial arguments about preventing fraud losses look more likely to tip the balance of banking opinion in favour of smart cards. "There is a certain amount of pressure from Europe already to move to the smart card as a security mechanism," says Mr Gordon Clarke, of Deloitte Haskins Sells Principal Management

Consultancy Division.
The Brussels-based European Council for Payments Systems, ECPS, an inter-bank organisation which is trying to lay the ground rules of an integrated retail financial services industry in Europe, is believed to be increasingly interested in

smart cards.
"Some of the problems which banks have faced in other European countries are as yet little known in the UK," says Mr Clarke. "For example, all countries have the problem of lost and stolen cards, but there has been very little counterfeiting of plastic cards in the UK. in Italy the banks have to

find ways of protecting themselves against it and smart cards look as if they could be the best bet."

entertainment payments busi

ness, but once again possible advantages (eg the fact that

cards are more portable than

travellers' cheques) are offset by the disadvantages (new ter-

minals would be necessary to

take them; lost or stolen cards

would be more vulnerable than

In October last year, Midland

Bank and GEC launched a trial

at Loughborough Polytechnic

of an intelligent contactless

card, called Meritcard, devel-

oped by GEC and usable in a

special terminal developed by

Smart card users can use the

terminal to check full details of the usage of their card and to

access external on-line services

using the terminals internal

modem, which can supply Tele-com Gold, Mercury Link and

Prestel access, as well as Mid-land Bank's viewdata services.

The terminal is helieved to be

the first in the world whose

operation is totally controlled

At Loughborough, customers choose their own PIN and the

card has electronic debit card capacity. The attraction for the customer is that there is in-

built audit trail capacity to

Elsewhere in Europe, several

other smart card tests are run-

ning. Even in Germany, when

the plastic cards industry has been slow to develop, there is a smart card trial at Regensburg.

The microprocessor on the Ger

man cards, however, is located

at a different place on the card

from those on French cards, reflecting the fact that in the

International Standards Organ

isation rules on smart cards

there are two possible options

for siting the chip. This created

obvious conflicts over termi-

There are also further differ-

ences between Japanese and

Studies to agree on Euro-pean standards for smart cards

are under way, but so far seem

to concentrate mostly on avoiding counterfeiting rather than

authenticating card bolders. With so little agreement among banking systems in dif-

ferent countries as to what smart cards should be doing it

looks like being well into the

1990s before a sufficient con-

sensus emerges to make possi

ble a decision on what the suc-

or to the magnetic stripe

nals to read the cards.

French cards.

card should be.

help keep track of spending.

by a smart card.

travellers' cheques.)

Tandata.

Mr Clarke points out that the insecurity of magnetic stripe technology is not always fully appreciated either by banks or their customers who regularly discard ATM slips containing valuable information. One UK cash machine network until not long ago was supplying sufficient data on its ATM slips for those in the know to create a magnetic strip. All a would-be thief had to do was acquire a customer's Personal Identification Number (PIN) at the same time, per-haps by watching with binocu-lars from a nearby building, and he had all the instruments he needed to extract funds

from a particular account.
Given the insecurity of PINs - the Jack Committee Report on Bank/Customer Relation ships last spring said that PINs could be spotted by a hawk eyed observer in a passing bus - the search is on for alternative methods of authenticating

cards and their holders. Smart cards may provide an alternative to both PINs and signatures. Customers would provide biometric data which would be stored on their card and then used to identify them at a terminal when making a purchase or a cash withdrawal Norton Opax and Phillips have both produced smart cards which offer dynamic signature verification systems. Details of the way a cardholder makes his signature are stored in the card, enabling the terminal to authenticate the signature.

However, apart from the additional cost of the card and the terminal, this approach has two disadvantages. Firstly cards have to be enrolled with details of signatures and at present no obvious setting for this exists. Enrolment would certainly take up time and generate new costs.

Secondly, the "spoil rate" is still too high. If the parameters on signature recognition cards are tightly set, a fair proportion of genuine signatures is rejected. But if they are relaxed, then some fraudulent signatures may get through.

A simpler use of smart cards

is as pre-charged and rechargeable carriers of funds, rather in the way that travellers cheques are used today. There are obvious possible applica-tions for this in the travel and fast and reliable communications. Telephone conversations remain an

important vehicle for trading. Although British Telecom is still a target of complaints by dealers in the City of London, there is no doubt that its basic telephone service has become much more reliable during the 1980s.

And of course dealers can now choose

between BT and the newcomer. Mercury. Most financial institutions have in fact chosen to have both lines, as an insurance against one system or the other breaking down. The most important general develop-

ment in dealing communications over the last few years has been the estab-lishment of wide area international networks, which make it possible to trade globally 24 hours a day.

The amount of financial information flowing round these networks has risen exponentially in recent years. Computerised information services, pioneered by Reuters in the 1970s, are now pro-vided by several companies, such as Telerate, Quotron and Knight-Ridder. Many dealing rooms are therefore overwhelmed with high-tech equip-

ment. "Typically a trader requires two or three different services, may need to interrogate an in-house computer on another terminal and possibly use a microcomputer. Apart from his dealer board, loudspeakers and two (or more) telephone handsets, the dealer is in danger of being swamped by keyboards and screens," says Mr Richard Jones, a

EGGED ON by the Bank of England and the Stock Exchange, leading City financial institutions hope by the end of

the year to agree on the most important technology project to hit the UK finan-cial world since Big Bang in 1986.

Paperless share trading - through a system to be known as Taurus - is

seen by the powers that be as a vital development if the UK is to retain its

position as Europe's leading financial

centre. Yet after years of dispute, the

architects of this important scheme have yet to get it off the drawing board.

Three bridges still need to be crossed.

Two will be faced in the coming weeks, but the third (and more politically sen-

sitive) may take considerably longer.

The first is reaching agreement inside the City itself that the current plan for

Taurus - based on a system of nomi-nee accounts - is the right one. Bicker-

ing within the securitles industry has

large clearing banks. As bankers, regis-

trars, custodians and (in some cases)

stockbrokers, they are in a unique posi-tion to reconcile the warring factions internally and lend weight to the scheme. With the Bank of England rais-

ing its eyebrows vigorously, if not actu-

ally knocking heads together, there must be a good chance that the banks

will soon see sense.

The second bridge to be crossed is to convince listed companies that Taurus

in its planned form is in their interests. Companies have resisted so far on the grounds that they believe it will be

The key to agreement lies with the

prevented this so far.

DEALING ROOM SYSTEMS

24-hour traders

London dealing technology consultant.

The only long-term solution will be for users in the trading institutions to force the suppliers of financial informa-tion to follow the "open systems" approach which is proving popular else-where in the computer industry. Dealers could then receive all the services they wanted on a single workstation.

Already there are moves to make the competing systems more compatibla. An example is the Multi-vendor Contributor System, which Knight-Ridder will launch at the Computers in the City exhibition in London next week (November 14-16). This allows dealers in futures and options, foreign exchange, commodities and capital markets to put price quotes into any number of information networks from one keyboard.

The use of computerised networks

not only to obtain up-to-the-minute information but also for electronic dealing was pioneered by Reuter in the foreign exchange market. Its Monitor Dealing Service, introduced in 1981, has sion of forex trading during the 1980s. According to one estimate, the Reuters service handles one-third of the \$300 bn worth of foreign exchange traded every day worldwide. It has 2,300

subscribers and transmits more than 100,000 dealing conversions a day.

But the first serious competition to the Reuters service emerged this year, in the form of The Trading Service (TTS) from Telerate. Some 310 banks worldwide have been signed up. says Mr Peter Harrison of Telerate, and the system operates in 36 world financial centres. The latest large order is from Bank of America, which is installing

TTS in 10 dealing rooms across Europe. Telerate says that two counterparties anywhere in the world can be connected in less than two seconds, via an international X.25 digital network. The TTS workstation is based on an IBMcompatible personal computer with an Intel 80236 microprocessor. It has an innovative "slate" for data entry, on which the dealer can carry out four transactions at a time.

The slate is a touch-sensitive device

with a back-lit liquid crystal display on which the functions are listed. Set up according to the user's requirements, it supplies steps in the trading dialogue in a logical sequence. The dealer then fills in details of the specific deal.

In response to TTS, Renters has launched Dealing 2000, an updated ver-

The company claims 226 contracts in 19 countries for the first phase of Dealing 2000, which has similar features to TTS.

In its first phase Dealing 2000 allows dealers to conduct four simultaneous trading conversations on screen, though using conventional keyboards rather than an innovative device like the TIS slate. The second phase, undergoing in-house tests at the moment, will represent a much more radical depar-

ture. Mr Peter Griffiths of Reulers says

it will be launched early next year. Electronic services already enable dealers to carry out on computer screen dealing conversations similar to those they would have made by telephone or telex. Dealing 2000 will go further, automatically matching up buyers and self-ers of a particular currency - the heart of the trading process. The screen will display the best buy and sell rates for a range of six currencies. These will be real market rates and may differ from the "indicative" rates shown by financial information services.

When a participant sees an attractive rate, he or she can immediately enter on the keyboard a willingness to trade a currency at a given price and amount. The central Reuters computer matches the bids and offers, checks its database to ensure that the counterparties have sufficient mutual credit and then acknowledges successful completion of the trade to both parties.

Cilva Cookson

SETTLEMENT SYSTEMS

Paperless deals

expensive and cumbersome to search their share registers - as well as sig-nalling to the market at large that they are carrying out a search and (in some cases) that they fear a hostile bid.

The key to agreement here is to con-vince companies that the new system will be at least as good as the present one. For this, read: "no worse than the current system." Whether listed companies are prepared to accept no improve-ment in service from such a major upheaval in the settlement process is something that will become clear in the

remaining weeks of this year.

The third and most difficult bridge will not even be attempted for some time. This is to antomate private share ownership, in the process persuading (or forcing) individual shareholders to give up their share certificates. They are likely to face an increase in dealing costs - and will have to pay a fee just for holding onto their shares.

The begetters of Taurus will need to convince these people (12m of them at the last rough count) that the new charges reflect the true economic cost of providing the service. To date, small shareholders have been subsidise future, they will have to pay their way. That message will be unpalatable to the

CLOSING MARKET

politicians who have championed wider share-ownership

While the City continues to pursue its search for agreement on Taurus, meanwhile, those who will be affected by it are left facing an uncertain future. And that, from a technical point of view, is the worst position of all to be in. Anyone who will need to make systems changes to take account of dematerialised settlement is currently as much in the dark about the fina outturn as ever - despite the recent push to move the project forward.

Some of the heaviest costs will fall on stockbrokers. Yet it is still unclear to them - as well as to the working group drawing up the proposals for Taurus what those costs will be. An exercise to establish these, undertaken earlier this year by accountants Touche Ross, is now said to be too subjective, since the broking firms that took part had little information to go on about the likely design of Taurus. Brokers are still unsure about what the system's impli-cations will be, but are bracing them-

selves for the worst.

Many listed companies are also likely to face important systems questions — if they have not already. Under Taurus, many are expected to take the company

registrar function in-house. What is now a labour-intensive exercise, requir-ing squads of clerks, will become automated. But until the design of Taurus is known, it will remain impossible for listed companies to prepare themselves for the new era.

Courtaulds, the textiles and chemi-cals group, is further ahead than most in this area, but still expresses frustration about the rate of progress. Mr Chris Hancock, its corporate systems manager, confesses he is cynical about the development. "It has been going back and forwards like a shuttlecock for a long time," be says. "From a systems point of view, it's a black hole." Courtanids brought the registrar's job

in-house, rather than use a service reg-istrar, some time ago, believing it was cheaper and produced a better service for shareholders. However, preparing for Taurus presents severe problems. "It is safer to go the packaged route better than building a system in-house and changing it in 18 months

or whatever. Using a package is very much an insurance policy, it spreads the cost around a number of users." The package chosen by Courtankis was Inscribe, developed by systems house Quotient. "We already have a predator tracking and information sys-tem based on our existing system," says

Mr Hancock. This was included in the

364 days, 1-Jun-88 to 31-May-89.

specification given to Quotient, which tailored its package for the group. **Richard Waters**



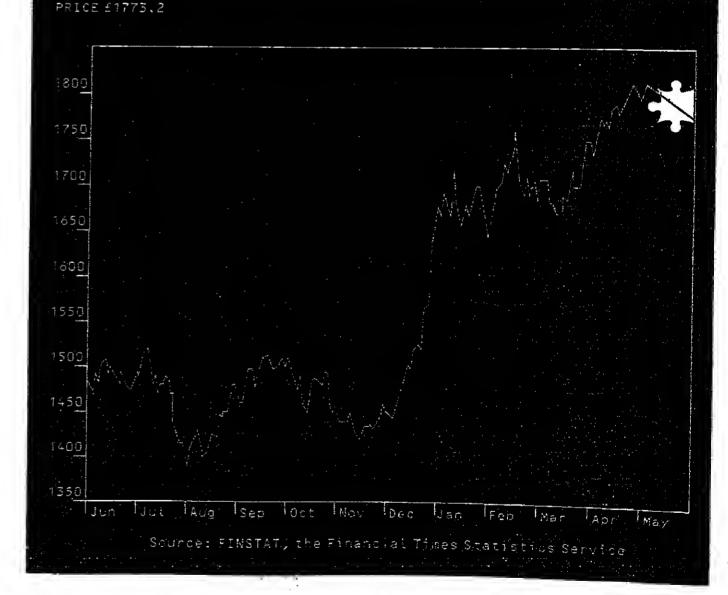
A brief extract

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internetionally hased indus-

tries, such as chemicals manu-

facturing or shipping, have

begun to use EDI for some

transactions, although not

are trying to extend their services beyond national fron-tiers. GE information Services

of the US, for example, now

has a private worldwide tele-

communications network to

which it is attaching EDI

operations country by country.

which also has its own tele-

communications operations,

has been moving in the same

direction. And Istel, tha UK

EDI company which is being acquired by American Telephone & Telegraph of the US, has been tackling the international market by establishing

licensees of its own technology in overseas countries.

director of business develop-ment, says the main issue for

the EDI industry over the next few years will be the establish-

ment of smoothly running international services. "A lot of

the infrastructure is now in

Mr Phil Coathup, Istel's

IBM, the computer group

At the same time, suppliers

without teething problems.

A look at some of the most important technologies that are gradually transforming the financial services industry

COMPUTER-AIDED software engineering, or Case, embraces a range of technologies designed to add management and discipline to the often unruly husiness of systems

Too much computer software has to date, been designed and written in an *cd hoc* manner, without the benefit of properly constructed design rules: As a result, it has become commonplace for systems to be delivered late, sometimes too late for the intended purpose. And without proper cost controls, it has often proved difficult to complete projects on or under

For a financial institution today, such a laissez-faire approach to the development of a new application clearly will not do. Managers are well aware that a sound technological underpinning is essential to the success of any new prod-uct. They are also aware that there is a limited window of apportunity and that time lost through late or poorly designed systems cannot be retrieved. So there are powerful rea-sons why Case is becoming accepted as an effective mediaccepted as an effective medi-cine for software delays. Ear-lier this year, International Business Machines, the world's largest computer manufac-turer, provided a bedrock of credibility to the market when it announced its Case strategy. Called Applications Develop-ment/Cycle, it was endorsed

Co ve Case

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The rules of the game

announcement is the "repository," a database capable of managing all the project and design information generated basic design rules. during software development. Essential software engineer-

ing comprises two parts, a methodology and the computer-based "tools" to support it (the software engineering industry sees Itself as analogous to the metal bashing business: hence the use of engineering axpressions anch as "tools" and "workstations" to describe specialised pieces of software).

The methodology is the sets of rules and procedures which bring some order to the pro-cess of software writing. The main component of case is a solidly-based methodology. according to Mr Mitch Ashley, manager for advanced technology for the US computing services company Electronic Data Systems (EDS), a subsidiary of General Motors and a market leader in Case technology. The automation tools — analysts' workbenches, code gener-

ators and support environ-ments - are the keys to accelerating the software gen-eration process, but the experts warn that automating the production of a poorly designed system is a recipe for disaster. What are the tools used for?
The analyst workbench simplifies the joh of systems design, allowing the analyst to see the

with the IBM initiative. An relationships between different Durham of the London-based important part of IBM's parts of a project on a computer screen and constraining the designer from creating a system which goes against the

The code generator is perhaps the most ohvious case tool – a computer system which writes computer programs, taking the load off the human programmer and speed-

The aignificance of Case Alan Cane

ily creating error-free computer code. Support environments or

Ipses (integrated project support environments) are designed to manage large scale computing projects, keeping track of all the programs and people involved in the development. ment. The Inland Revenue, for example, has made extensive use of an Ipse from Philips called Maestro.

An important point about the use of Case and Case tools is that they are at their most useful when they can be used to construct a computer model of a husiness strategy in such a way that its strengths and weaknesses can be analysed. Chase Manhattan Bank in New York offers an advanced example of the use of Case tools for strategic planning. Mr Julian Hewett and Mr Tony

recent report* how Chase Manhattan davised a project called "Ideal Bank" to develop a vision of how the Metropolitan Community Bank, part of lts retail banking division, could survive in the 1990s and proposed a systems architecture to underpin the vision.

Starting with a clean sheet of paper, the project team used case tools called PC Prism and Excelerator from Index Tech-nology to create a model of the flows of information within its idealised retail bank. The conclusion, the writers note, was that the "Ideal Bank" system was worthwhile: "Even using conservative estimates, a rapid financial return on investment

can be envisaged."
According to the teams leader, the project would have leader, the project would have been impractical without Case tools because of the need to analysa the relationship between dataflow diagrams. Another approach to Case in financial systems of a different kind is exemplified by tha UK company Softwright Systems, which specialises in ways of develoring amilications more developing applications more quickly than hy traditional methods. It has developed for IBM a system for developing point-of-sale (POS) applications. Traditionally, these involving the control and management of a diverse series of devices — the cash register,

Lang, information technology

manager for group headquar-ters, believes that is because

to machine code.

With the Case tools Softwright Systems has written for IBM, according to Ms Jane Tozer, its managing director, the designer can simply sit at tha keyboard of a PS/2 personal computer and type in the system requirements - what messages should appear on what screen, which device should be live at any particular stage of the transaction pro-

cess and so on. Essentially, use of the POS case tools removes the need for highly specialised skills in the development of point-of-sale applications and so improves development. Ms Tozer esti-mates that using the POS tools, an application can be written and tested in eight weeks, compared with a mini-mum of six months using conventional methods.

Case experts warn, however thet the use of Case tools is not an instant cure for software production ills. Indeed, because there is a learning curve to be followed, the first use of Case on projects is expected to involve an increase in the number of computer experts rather than a decrease. The quality of the final systems, however, is likely to be high and maintenance (develop-ments of additions and modifications) will be much simpler.
* Case: the next steps; Ovum, 7
Rathbone Street, London WIP
IAF. £550.

impetus for it to be used.

EISs are not cheap, costing up to £200,000 to instal. Suppliers include Comshare, Execucom and Pilot of the US and Matananaia Planaina. he won't use it."
One example of the successful implementation of EIS is at chemical glant ICL Mr Ian Metapraxis, Planning Sciences and Holistic Systems of London. They can also prove expensive to run, particularly if they involve direct links between the executive PC and the mainframe computer

systems or outside databases. Mr Lang of ICI, for example reports that its EIS system costs about £100,000 2 year just to maintain — in salaries, software licences and fees for using external data sources. But he believes that cost can be justified "in helping execu-tives make better decisions and give them early warning ol opportunities, so they can beat

opportunities, so they can bear the opposition."

The EIS used by ICI is one of just a handful of systams intended primarily to give its directors access to axternal, rather than internal, informa-tion, which could be of strate-ric substates. gic advantage, *An assessment of the Use and

Awareness of Executive Infor-nation Systems, commissioned by Comshare from Romtec.

the customer's display, the cashier's display – ere written laboriously in something akin Messages that get there ments, are at an embryonic stage. Companies in large messages, such as purchase

THERE WAS a time when only a few companies owned a telephone. Then, gradually, the user-base huilt up, and soon everyone had to have one. Telephones had hecome an essential part of doing business, a necessary supplement

to the postal service.

Electronic Data Interchange. the process of exchanging simple business messages, such as orders and invoices through direct or computer- to-compnter communications, is at present moving through the first stage of a similar technological evolution.

Only a small percentage of British enterprises has such a system, and even when they operate one, they do not use it for all their transactions. It is a useful, hnt not an essential tool for everyday activities.

EDI, however, appears to be sowing the seeds for successful expansion, just as the early telephone system managed to do. It is achieving this growth by giving the companies that use it a competitive edge, because electronic messages are cheaper to send, less prone to error, and much faster to deliver than conventions! postal communications. This extra efficiency is translating prices - conditions which will force rivals to adopt the same paperless trading methods.

The main impediments to

this growth at present are a profusion of incompatible standards, unfamiliarity with the technology and a lack of critical mass in the industry. In continental Europe, where international companies want to extend the use of the service, additional problems are being caused by the conservatism about new services in the national telephone systems. All these difficulties, how-

ever, are being tackled.

Standards: The industry has been hammering out an international agreement that will eventually allow paperless traders to communicate with each other wing the same each other, using the same electronic language throughout the world.
At the moment, the US and

the UK, the two ploneers in the use of electronic trading, have their own systems. But these will be gradually shifted over to the new Edifact standard, endorsed by the United Nations, which is accepted as the main basis for EOI systems

The principle underlying the Edifact standard is to create an electronic syntax and data dictionary for use in composing measages. Communications between companies using the system are thus universally understandable; and many orders, or invoices, can now be picked up off the shelf with no need for alteration by the user. ☐ Familiarity with technology: This issue has been largely dealt with hy the encouragement given to third party suppliers to enter the market. Market entry is far easier in

Electronic Data Interchange Terry Dodsworth

the UK than elsewhera in Western Europe because of the liberalised telecommunications environment. This means that companies with some expertise in processing and transmitting nformation can set up systems over leased telephone lines, and seli this clearing house type of service to subscribers. ☐ Developing critical mass: This problem will be solved only over time. Here, again, the analogy with the telephone holds good, because EDI simi-larly depends upon an inter-active user body before it has any utility: someone has to be equipped to receive the elec-tronic message sent by the per-son geared up to transmit it. Critical mass tends to be developed on an industry-by-in-dustry basis, or in even smaller sub-units focused on individual

If a particular manufacturer or retailer decides to instal EDI, that puts heavy pressure on all its suppliers to fall into line. It can make paperlass trading a condition of doing business with it; and even if it does not go that far, those sup pliers which continue with tra-ditional methods will be at a competitive disadvantage. This trend is evident in the retailing sector and the motor industry, where some influential companies have put heavy emphasis

large companies.

on paperless trading methods, Internationalisation of the industry is an issue that will not be resolved by any quick fixes. Nevertheless, the plans to lower the trading barriers in Europe hy 1992 are putting pressure on telecommunications suppliers and users to modernise thair approach to pan-European husiness.

On the supply side, this means reducing the cost of leased lines and simplifying the hureaccratic procedures for running services across national houndarles. In demand terms, it is leading to increased pressure from hig husiness for smoother-running international services operated from a single hilling and main-tenance point, and with guar-

place in the international tele-communications network, and the Edifact EDI standards are being accepted all around the world. But the industry now has to show that it can manage EDI operations internationally for companies which need to work across frontiers. Demand for such services is already developing quite strongly in electronics, motor vehicles and chemicals. Texas Instruments and Motorola, the

US-owned semi-conductor com-panies are planning such net-works, while General Motors has been a pioneer in the carmanufacturing sector. Outside the main industrialised countries, there is an accelerating wave of paperless trading activity in south-east Asia and even in Eastern Europe. But linking all these compa

nies and countries together in an efficient working structure will be no easy matter. While hasic telephone services now rightly claim to be international, it is proving harder to achieve worldwide agreements on value-added services, such as EDI, which use telephone lines to deliver more elaborate forms of data communications.

In many countries, the local, nationally owned telephone operated companies are not moving with the speed and flexibility which the users of EDI would like. These restricanteed quality levels.
international EDI links,
which answer to these requireover the next few years.

Exclusive software

SOFTWARE DESIGNED specifically for top executives is an exclusive but rapidlygrowing segment of the com-puter market. At the beginning of this year Romtec, the market research organisation. revealed that in the UK 9 per

Case tool industry which announced ways of working

cent of senior management already use such software. The trend in executive information systems (EISs) has been led by US managers, with companies as diverse as AT&T, Holiday Inns and Coca-Cola using these tools. But European executives are catching up fast, with managers in blue ehip companies such as Rolls-Royce, Shell, ICI and British Telecom taking the plunge. EISs work hy extracting information from the company's mainframe computer net-work and from external information sources and displaying them on a desktop terminal.

financial — sales and profit fig-ures, budgeting or forecasting, information, and share price movements, for example. The over-riding reason for installing such systems is the installing such systems is the need to sift out relevant infor-mation from the miles of computer print-outs that comput-

Most of the information is

ers produce every year. Mr Ian Meiklejohn, director EIS research organisation, points out the irony of the situ-

DATABASE management soft-ware is one of the key technol-ogles in modern computer: systems; it provides the foun-dation for the applications

which have become central to growth in the provision of financial services. The eccep-tance of standards by database devalopers has helped to

ation. "As more and more information is held on corporate systems, the hriefing books get thicker and thicker," he says. "The relevant details that they need are disguised in all that data."

Ha points out that, as companies try to shorten their reporting periods from months to weeks, and weeks to days — the problem will get worse before it gets better.

The main reason for the rapid growth in the EIS popu-

From a technical viewpoint

easy to assimilate by convert-ing figures into graphs, ple that's or diagrams.

I instead of keyboards, they give managers the choice of using touch screens or infra-

☐ They use exception reporting, so any part of the business that is doing well or badly can ha isolated. For example, a division performing 5 per cent below its target can be high-lighted on the screen in red. They use dynamic reporting, so executives can "drill down" through layers of information.

Executive support systems Della Bradshaw

to target in on relevant facts. So, if one division of a company showed a spectacular downturn, the manager, spot-ting the bloodbath on the ting the bloodbath on the screen, could hurrow down through the layers of software to find the reason why.

To drill down in this way, the software must be ordered in a hierarchical fashion, not the alphabetical or numerical way it is stored on computer files. This ordering is the main task of the EIS software to the needs of the individual event.

needs of the individual executive accounts for about half the cost of installing an EIS, but is essential to the success of the system. "A successful EIS is one that an executive uses,"
says Mr Ian McNanght-Davis,
managing director of the UK
arm of Comshare, the American EIS company. "If you design a screen he doesn't like,

Mr Squire points to Baring Securities, which uses Oracle's

database package as a basis to select potential securities. These include performance reports and free-form texts of

analysts' reports. The data is stored in systems in London and Tokyo, but brought

There are also moves to use relational databases in estab-

Database technology

Philip Manchester

lished transaction-processing applications. UK banks are pio-neering the use of IBM's DB2 relational database to help bring greater value to this

data. It is hoped that DB2 will

allow data to be used for com-petitive marketing of services, at the same time as sustaining

the day to day running of their operations.
"NatWest has invested mas-

sive amount in DB2 technology. And the same sort of strategic investment has been

undertaken at Barclays and Midland Banks," says Mr Ian Bramley of database tool spe-cialist Information Builders.

trend where banks are pioneer-ing these technologies," Mr Bramlay adds. Information Buildera' Focus tool is an example of the front-end soft-

ware which gives users and application huilders better

ways access to their data.

These tools generate the SQL instructions which are passed to the central database proces-

sor - usually held on a large

Detabase software devel-

opers are increasingly devoting their efforts to building such

tools because this sort of hard-

ware configuration seems to be

emerging as the front-runner in the coming decade. "These tools do two things,

They give data processing departments the ability to

mainframe.

"This echoes a worldwide

together at the workstation

the information on the system is what the executives need. "They are just too busy to use the system if the information is not relevant," he says.

Mr Meiklejohn warns that the growing trend towards information technology departments specifying the EIS systems — rather than the impetus coming from the man-

ager - may well overlook that factor, and EISs could end up as just very expensive toys. To help ensure that EISs provide exactly the right informa-tion for executives, managemant consultants Prica Waterhouse devised a methodology called EIM (Executive Information Methodology). At its centre is the analysis of the company's critical success fac-tors - where successful performance is vital. By defining the performance indicators for each of these factors, managers developing EIS systems can insure that the information is

what they require to keep their fingers on the company pulse. Companies such as British Telecom insist on individual managers becoming "sponsors" for the EISs installed. Mr

David Stone, EIS manager at British Telecom; believes that finding an enthusiastic user for each system will provide the

deliver applications quickly and they increasingly give users the ability to access their data," says Mr Clive Smith, a

financial systems specialist at databasa packaga supplier Relational Technology. But this is only part of why relational database has been accepted by the financial insti-tutions. One of the most important things to have happened in the last three years is the realisation that relational database can be used in operational systems. This is because the performance problems of a few years ago have been largely resolved, he adds.

Early relational database systems experienced severe parformance difficultias because of the rigorous rules which define how data can be organised. Relational Technol-ogy admits to having rewritten a "major part of the product" to get round this problem. "We went back to hasics and changed the architecture. But compared with the older version, we doubled the perfor-mance," Mr Smith says.

Database pioneer Cincom went through the same exer-cise in the mid-1980s when it ditched its ageing Total data-base and produced its new

product, Supra.
Mr Terry Booth, managing director of Cincom UK, acknowledges that this was a necessary step as databases have become standardised. "Whether you like it or not, SQL is an industry standard which people have adopted — not just paid lip-service to it. The computer user benefits use standards bring portability across different hard-ware and allows different systems to work together."

There is no doubt that computer technology is at a turn-ing point. Accepted technical standards have narrowed the number of alternatives but made it possible for users to move from one to the other without the enormous costs involved in rewriting software. Database technology - espe-cially the relational database approach - has played a key part in this transition and will play an even greater part in the coming decade.

You can either talk big



Or think big.



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lation is that more middle

managers, many in the finan-cial sector, are demanding their own EIS terminals, "EISs are being deployed more deeply in organisations," says Mr Cliff Conneighton, pro-gramme director for office information systems at the Gariner Group, of Stamford, Connecticut; a research and consultancy organisation.

EISs are diverse, using 2 variety of hardware; from main hames to personal computers. However, all EISs have four things in common.

• They make the information

red remote control devices to get access to the data.

Relational approach thre and analysis at the branches and take the load off the central computer.

advantage of the relational approach is that it offers a very simple view of data without Imiting how it may be used. Relational databases store data as a set of two-dimen-sional tables, not unlike Lotus 1-2-3 spreadsheets. They can be

exploit emerging hardware technology, such as workstatprocessed using a standard set of simple instructions which ions and computer networks. form the basis of a language Advanced techniques, such as relational databases, have made it easier to build new applications quickly and give users direct access to data.

This has not happened without a great deal of effort from called SQL Another advantage of the relational approach is that it allows the database processing to be split into two distinct phases the front end process to determine what data is

required and the back-end to locate and retrieve the data. database software developers and a great deal of patience rom computer users. In the early days of comput-SQL acts as the communica-tions medium between these ing, data was organised in sim-ple forms. The software needed processes. This makes it rela-tively easy to separate the two tasks and put them on differto store, access and manipulate data was rebuilt for virtually every application. But during ent computers which may be connected by a network. "The combination of ease-of-use and availability on the right sys-tems have enabled relational the 1970s companies such as Cullinet, Cincom and Software Ag built general purpose, data-base management packages which could be applied to a database to gain an edge," says Mr Geoff Squire, UK managing director of Oracle, a database software supplier. range of applications. These were designed to cope with We have found this means we can push more of the appli-cation out to where it is really

large batch-processing systems such as those used for cheque processing in the clearing banks or those used more generally for printing pay-alips.
At the start of the 1980s a new approach to database organisation called "relational

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station. In a banking application, for example, it means we can do a lot of transaction cap-

needed - we can do more of

the processing out at the work-

Last of Lloyd's

Problems of integration

MANY LIFE insurance companies are now at a cross-roads regarding the way in which their technology devel-opment should go - both on their internal automation and in their external transactions with agents, particularly inde-

pendent financial advisers. Intermediaries and the pub-lic now give as much priority to a high level of service from a life company as they give to that life company providing a top investment performance.

Life companies have installed the latest technology in their investment departments. Investment managers have instant access to every equity market in the world.

But many companies found that their administration systems were unable to cope efficiently with last year's mortgage boom and with this year's personal pensions boom.

Some well-known life compa nies, noted for their investment expertise, have come under severe criticism from intermediaries for delays in setting up direct debits or delivering policy documents.

The slowdown in business in the second half of this year mainly as a results of the continued dull mortgage market and uncertain stock markets. is giving life companies a respite to enable them to catch np on the backlog and an opportunity to rethink their administration systems.

These administration problems are compounded by the growing requirements of companies to conform with the regulations arising from the 1986 Financial Services Act which require life companies to rewrite their systems for premium and benefit quotations, commission payments

and policy documents.

The problems of the many are highlighted by those life companies which have given top priority to ensuring that their administration systems are always up-to-date and incorporate the latest technology. They came through suc-cessfully in dealing with this expansion of business.

Externally, these problems of a high level of business have highlighted the necessity of life companies integrating their systems with those of other companies and business organisations with which they have commercial transactions.

Upstream, life companies have developed and integrated their automation systems with banking institutions primarily to handle premium payments,

usually direct debits. Generally these are working smoothly, life companies usually dealing with a handful of banking organisations, all with highly developed automation systems. Even so, cases are reported where it has taken months to set up a direct debit for a particular case.

Downstream, life companies face a different set of problems when dealing with intermedi-

First, there is the nature of the market itself ranging from the comparatively few major companies, such as National Westminster Financial Services, to a host of small and

Secondly, intermediaries, by

Too often, the Intermediary is sold a personal computer by a local small software company that will handle his accounts, but little else

and large, have taken some steps towards automation. But such developments have been piecemeal and largely unco-or-

Very few intermediaries are interested in technology. They want a system that will suit their own immediate needs and can be operated by their secretary or one of their office staff. Little thought is given to further developmen

Too often, the intermediary is sold a personal computer by a local small software company that will handle his accounts, but little else. No way can it be linked up with a life company's

Yet cost pressures and the need to provide a high level of service are forcing life companies to streamline procedures, to cut out telephone calls, exchange of documents through the post and life company inspectors acting as mesngers between life companies and intermediaries

The objective is to automate as much of the communication as possible.

The first industry-wide step is the development of Opus -Online Proposal Underwriting

punch cards LLOYD'S of London is to end enable the vast majority of pro-

computer technology which

enthusiastic supporter of the

London Insurance Market Network, which was launche

This IBM-run system already provides electronic

services to subscribers links

mail and data interchange

into the system, with trials

Much has already been done to facilitate accounting and documentation in the

London market through the

Policy Signing and Accounti Centre for the non-marine

company market and the system developed at the institute of London

So where do punch cards fit into this latest system to

provide the London insurance

technology-based operation? Punch cards contain

conventional information on

and are a visible record of .

each transaction made by the syndicate. As syndicates must

have access to records going back not just years, but decades, this need to

preserve original records is

cards to tape and the majority

Now Sherwood Insurance

systems, which provides technology services to around a third of the Lloyd's market, has announced that it will end its provision of punch eards at the end of this year, with

Lloyd's completely phasing out cards during 1990.

Insurance Market Network

continues to develop, with one of the latest facets being

r information on punch

Lloyd's has offered to

the operations of a syndic

Underwriters for marine

market with a 1990s

taken place for account and outstanding claim

over two years ago.

the use of punch cards in its posals to be underwritten computer system at the end quickly and easily. of next year, writes Eric Short That comes as a surprise, To date, the system has been developed only to handle the simplified short proposals for mortgage-related contracts. particularly in view of the latest developments to

Even so, there are problems had, one thought, long since training intermediaries to use relegated punch cards to a the system. lence museum If the intermediary is a tied It also seems incongruous agent of the life company, then for Lloyd's to be using punch in theory the life company can cards as it was an

tem in the intermediary's In practice, there are problems when the intermediary is a major company, such as a building society, with its own established systems. Here the development of Electronic Data

instal its own automation sys-

Interchange (EDI) has a vital role to play. However, if the intermediary is an independent financial adviser, the financial services regulations specifically ban a life company from providing help on automation, unless they charge the intermediary a

commercial fee for this help. A working party set up by the life companies has been conducting an investigation into the automation needs of advisers and how life compa-nies can provide help within the limits of the financial ser-

vices regulations.
Its confidential report was considered last week by life companies, but at the time of writing no further details were

A parallel development has been the formation of Origo, a company backed by 15 life companies, to provide, through a team of specialists, help and ssistance to brokers by recommanding computer packages that can be used by intermediaries and to ensure that they do not get into a blind alley.

Such a recommended syste would take into account the intermediary's expertise, or lack of it, the operations to be automated and the ability to incorporate the various networks that are available. But above all, there is a need for one system that enables an

independent adviser to use for all life companies with which he deals, not a separate system for each life company where most intermediaries just could

an electronic slip placing Eric Short | service.

This development is not intended to upset the underwriter/broker relationship of placing risks

in the Lloyd's and the Londo company market, but to make that relationship easier. At present, a broker placing a risk could have as many as 20 to 25 names on his slip

that underwrite the risk. At each visit to the underwriter's box or the company offices, the insurance broker has to provide details of that particular risk. Thus, these same details will be transmitted into each

underwriter's system The aim of the electro underwriting system is for the insurance broker to provide details of the risk in edvance over the network.

Then when the broker

arrives at the underwriting box or office, time can be saved in setting out the risk, while duplication is avoided in each underwriter feeding It is hoped to have trials for the electronic slip placing service starting next year

once the legal problems have been sorted out. Certain Lloyd's syndicates are seeking to expand their operations to the mass retail market, offering a variety of insurance contracts to individuals and small businesses - a market

dominated by the insurance Such lower value business can operate efficiently without necessarily requiring the services of an Lloyd'e

insurance broker The network is investigat the use of its facilities for direct dealing for this mass

market business it will take at least five ars before the network is fully operational.

But already, the developers nding the services which can be provided. Once the network is in place, then it is certain to be used by the whole of the London market for aspects of business not envisaged at outset or even at this

The continued evelopments in both hardware and software are expanding the horizons of

Eftpos trial tests under way in UK

Paying by plastic card

leading banks and building societies for a unified clearing and settlement systems for Electronic Funds Transfer at Point of Sale - went live at the end of August, roughly three years after the organisation was set up.

Bank and building society customers in three UK towns - Edinburgh, Leeds and Southampton - are now taking part in trial tests of payment by plastic card. The first experimental operations began a year earlier at about 20 terminals in staff shops and canteens of institutions belonging to Eftpos UK. But if all goes well, the scheme will gradually "roll out" until it extends to the UK as a whole.

The Eftpos UK scheme is one of the most advanced in the world, with little to parallel it in Germany or the US where paper-based money transmission schemes are still dominant. In Britain, simpler funds transfer schemes operated by Barclays and Access, known as PDQ and Accept, have been in place and operating for some years. But Eftpos UK should provide the basis for a much larger and more secure electronic payments and settlements system. Eftpos UK is one of the constituent companies

within the Association for Payment Services, the inter-bank body which controls and organises the main paper and electronic money transmission services in the UK. Mr Brian Allison, Ritpos UK's general manager, joined the company from Midland Bank in January 1987, about a month after it was formally set np.

a month after it was formany set the.

The company operates the software for a system which in its totality will consist of:

a terminal with clear specifications;

a network which collects transactions and sends them to a central switch;

☐ the central switch itself; ☐ members' lease lines; ☐ members' own software packages; ☐ a security scheme for the whole system.

"Every aspect has been developed to meet the banks' specifications," says Mr Allison. "Apart from one central switch, there will be a range of switches compatible with interface require-ments." The company will also sell services to retailers, such as devolved switches, which can process other types of data and card.

Often criticised for its high cost — one mem-

ber of the scheme, Girobank, withdrew early on because of it - Eftpos UK provides a framework to guarantee security in bank-to-bank transactions. "Eftpos UK has the end-to-end approach to security," says Mr Gordon Clarke, of the Manage-ment Consultancy Division of Deloitte Haskins & Sells, who has acted as an adviser to the system. "Once a message is passed into a network, it is impossible to crack."

Eftpos UK aims to provide full authentication

of the source of each message, using the Public Key Encryption Method, whereby every compo-nent in the system has both a public and a private key. The result is easier key management and certainty about the origin of each message, even with a system with 300,000 to 500,000 terminals,

"You end up with a system," says Mr Clarke, "where you can afford to have competition." This is in line with Ectpos UK's original basic aim of developing a single national electronic funds transfer scheme with an open and competitive membership framework and a wide card base usable at a single terminal at the point of

sale. Mr Clarke cites three key features: Retailers should benefit by being able to provide faster services; avoiding the costs that come from the handling of paper, while enjoying greatly reduced levels of fraud.

 Banks and building societies issuing cards within the scheme will be able to cut out paper processing costs and enjoy improved security.

Consumers will enjoy a faster and more convenient way of paying. They may find it easier to check the balance of their accounts electronic cally than they can at the moment and perhaps will be able to draw out cash through retailers

as well as through automatic teller ma For card holders involved in the initial three city trials, the service may not seem very different from other electronic terminals with which they are already familiar. One issue which may attract their attention is whether or not terrolnals use Personal Identification Numbers,

punched into a keyboard by the customer, or the traditional signature on a slip of paper. PINs would make the system more fully paperless, but there are snags to using them. One is that many people seem unable to remember the number which goes with their card. Anyone with several payment cards, of course, probably has several PINs as well. Another is the fear that it may be hard to make the use of PINs.

fully secure at store check-out terminals.

For retailers and banks, there is also the question of whether services should be on-line (expensive) or off-line (much cheaper but also possibly less secure). The latest geoeration of terminals should make effective off-line operation much more secure by including regular overnight updating of details of lost and stolen

cards as well as random checks. The banks have gone a long way already in establishing their own Eftpos systems. In May 1988, Midland Bank broke ground with an agreement with Tesco to offer Eftpos services at its chain of 80 filling stations. Later that year, Midland, in partnership with National Westmin-ster and Royal Bank of Scotland, launched the

Switch scheme, an electronic-only debit card. There has been a steady stream of applica-tions to join Switch, including most recently Barclays and Lloyds Banks, while retailers seem to prefer the card because - unlike payment systems such as Visa and MasterCard - Switch obliges them to accept only a single type of card

— a debit card — rather than a whole variety
with different pricing terms attached.

As a result Marks & Spencer, a retailer which

has never until now accepted any form of bank payment card, is to run trials with Switch. Opportunities even for smaller retailers within Eftpos may be greatly expanded as new types of terminal arrive on the market. In May is year, Barclays launched a small fully porta ble plastic card data capture terminal called PDQ 3, which can even be used in taxis.

Manufactured by Verifone, PDQ 3 terminals operate from batteries or mains electricity to record transaction dats on removable cartridges to be submitted each night to a bank branch. With debit card systems now up and running, and Effpos standards and software also estabshed, a new generation of terminals should help Eftnos become widespread much more rap

idly than seemed likely only a year or two back **David Barchard**

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